CSA survey: hot and cold licenses named
Kwasnick discovers new life at Mars

Chain Store Age

GENERAL MERCHANDISE EDITION November 1984

Software to the rescue

Louis A. Kwiker remerchandises Wherehouse Entertainment.

TWO DOLLARS PER ISSUE

IN THIS ISSUE

Ward brings romance to its hard goods

The Appliance Center presents a radically new way to merchandise hard goods. Montgomery Ward has installed track lighting, an elevated walkway and an overhead grid to create a modern, practical way to view and appraise household appliances. 17

Life at The Bon is très bon

With a commitment to full-line retailing and service, The Bon is more than holding its own against powerful Nordstrom. Home furnishings and trendsetting fashions form The Bon's strong suit. The chain appeals to a broader base of customers in that market area 28

Toy buyers back preschool books

Preschool books are considered staples at most discount, variety and specialty chains. The category contributes between 3% and 5% of total toy sales, buyers report. Vendor services maintain upkeep and inventory eliminating hassles for most departments 53

Industry News

Gimbels Milwaukee is redirecting its image 18
Real Shoppers eat quiche and other food-service tales 20
From tearooms to Pizza Rockefeller 20
Fast-food franchises: One-stop eat'n shop 21
Discounters serve up(scale) snacks 22
Kwasnick cultivates new life for Mars 24
Being good isn't good enough for Best Products 26
Washington Viewpoint 64

Consumer Electronics

Savvy strategies pay off at Wherehouse Entertainment 31
Walden promotes software's future 34
Rack jobbers gamble on computer software 41

Housewares

Lamps shine brightly at retailers 44
Sales look good for mini-blinds 46

Domestics

Discounters clean up in kitchen linens 48
Gloria Vanderbilt shops stalled, but line continues 50
Consumers shop patterns first, names later 51

Licensing

Cabbage Patch Kids still play hard-to-get at retailers 54
Licensing trends rollercoaster 55

Classified Mart 59

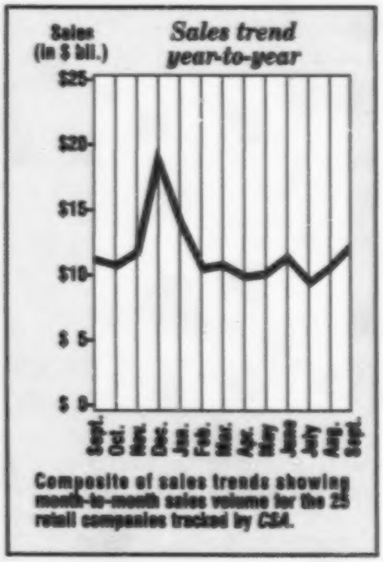
CHAIN STORE AGE General Merchandise Edition [illegible] is published monthly by Lebhar-Friedman Inc., [illegible] Park Ave., New York, N.Y. [illegible] [illegible] Vol. [illegible], No. 11. Copyright © 1984 by Lebhar-Friedman Inc. All rights reserved.
ALL CORRESPONDENCE [illegible] Chain Store Age General Merchandise Edition, [illegible] Park Ave., New York, N.Y. [illegible] [illegible] Magazine Publishers Association.

Copyright © 1984 by Lebhar-Friedman Inc.

Consumers still saving, not spending

Record gains in real consumer income over the summer months failed to boost retail sales at the same high rate experienced earlier in the year. Instead, consumers have put their extra income into savings at historically high levels. September sales results provide little clue as to whether or not the savings will translate into increased sales during the Christmas selling season.

The 25 chains tracked by *Chain Store Age* posted an 11.4% sales gain for September and an 11.7% increase for the eight month fiscal year. The September increase comes off a weak 9.4% gain in July and an August jump of 9.6%. Seven of the 25 chains, led by Wal-Mart's 41.4% increase, saw September performance above their year-to-date figures.



Composite of sales trends showing month-to-month sales volume for the 25 retail companies tracked by *CSA*.

Among the Big 3 catalog chains, J. C. Penney's "Salute to Italy" paid off with a 14.6% increase, led by women's dresses, men's suits, sweaters and Italian-made housewares and home accessories. Comparable-store results were up 12.5%.

Montgomery Ward's rollercoaster sales performance was on the upswing again in September with a 10.7% gain. Sears, amid rumors of flat catalog sales, posted September sales 4% above last year. Sales of Sears Canada were up 6.7% in local currency, outpacing the retail giant's United States sales.

Once again, Carter Hawley Hale led the department stores, showing a 17% increase. At Dayton Hudson, California-based Mervyn's led the corporation with a 24% sales jump, followed by specialty operations B. Dalton and Lechmere at 15%, department stores with 12% and Target discount stores at 11%.

K mart, aided by results from the recently acquired Waldenbooks, continues on the upswing. For the third consecutive month, the discounter's monthly sales have outpaced its year-to-date performance.

Tandy's Radio Shack continues to slide. While sales for the Radio Shack division increased from $153.1 million to $153.6 million, same-store results slipped 1% for the month.

September sales post 11.4% increase

		Sept. Sales*		Stores		8-mo. sales*		
Major chains	% change	1984	1983	1984	1983	1984	1983	% change
Sears[1,6]	+ 4.0	2,156,878	2,074,298	879	890	14,653,390	13,747,997	+ 6.6
Penney	+ 14.6	1,096,000	956,000	2,018	2,034	7,316,000	6,306,000	+ 16.0
Ward[5]	+ 10.7	614,119	554,633	367	376	3,984,758	3,603,804	+ 10.6
Federated[5]	+ 11.6	717,000	642,200	446	423	4,670,800	4,182,800	+ 11.7
Dayton Hudson	+ 14.4	672,581	587,725	1,127	1,058	4,573,260	3,943,192	+ 16.0
May Dept. Stores	+ 15.1	452,400	393,000	1,248	1,534	2,770,000	2,430,000	+ 14.0
R. H. Macy	+ 9.2	383,900	351,700	95	92	2,522,100	2,215,100	+ 13.9
Allied Stores	+ 5.9	367,000	346,400	584	561	2,346,200	2,156,300	+ 8.8
Carter Hawley Hale	+ 17.0	334,400	285,700	259	235	2,188,500	1,816,500	+ 20.5
Associated Dry Goods	+ 10.3	363,600	329,800	331	324	2,357,000	2,032,000	+ 16.0
Mercantile	+ 6.1	139,011	136,609	79	85	994,529	930,942	+ 6.8
K mart[7]	+ 16.9	1,923,576	1,644,772	2,163	2,138	12,680,242	11,638,344	+ 8.9
Woolworth	+ 5.9	545,651	515,139	N/A	N/A	3,527,663	3,335,853	+ 10.7
Wal-Mart	+ 41.4	485,000	343,000	704	611	3,780,000	2,699,000	+ 40.0
Household Merch.[2,3]	+ 2.4	509,798	497,637	2,587	2,699	3,511,604	3,422,757	+ 2.6
T.G. & Y.	+ 2.3	167,127	163,425	760	831	1,252,631	1,222,949	+ 2.4
Zayre[4]	+ 22.0	289,362	237,085	805	708	1,851,582	1,528,853	+ 21.1
Bradlees	+ 12.5	126,000	112,000	130	123	809,000	650,000	+ 24.5
Murphy	+ 5.1	79,582	75,721	386	406	556,013	527,470	+ 5.4
Rose's	+ 8.2	59,509	55,010	191	243	551,630	487,440	+ 13.2
Heck's	+ 17.8	44,400	37,700	123	119	284,007	263,044	+ 14.7
Jamesway	+ 11.9	41,312	36,913	81	77	278,076	247,637	+ 12.3
Melville	+ 12.9	425,206	376,624	5,828	5,680	2,967,765	2,575,485	+ 15.2
Tandy	+ 2.8	202,590	197,050	N/A	N/A	596,132	583,429	+ 2.2
Edison Bros.	− 3.3	93,800	97,000	N/A	N/A	712,077	659,981	+ 7.9
The Gap	+ 18.5	58,900	49,700	610	563	310,200	282,100	+ 10.0
Total & Averages	+ 11.4	12,181,575	10,933,416	—	—	80,792,528	72,266,028	+ 11.7

*000 omitted. N.C. = no change. N/A = not available.
[1] Store number for full-line outlets only. [2] Includes 1,651 franchise stores (vs. 1,691 a year ago). [3] Includes Von's and T.G. & Y. sales. [4] Includes 279 Zayre stores (vs. 272 a year ago), 388 Hit or Miss stores (vs. 330) and 138 T. J. Maxx stores (vs. 106). [5] Excludes supermarket sales. [6] Includes results from Sears Canada. [7] Includes results from Waldenbooks. Store count includes K mart stores only.

Penney economist predicts GAF gain

Consumer spending will show a 3.5% real gain in 1985 after registering a 5.5% increase this year, according to J. C. Penney manager of corporate economics Rosalind Wells. The economist further predicts a 7.5% increase in GAF sales in 1985, with real gains of 4.5%.

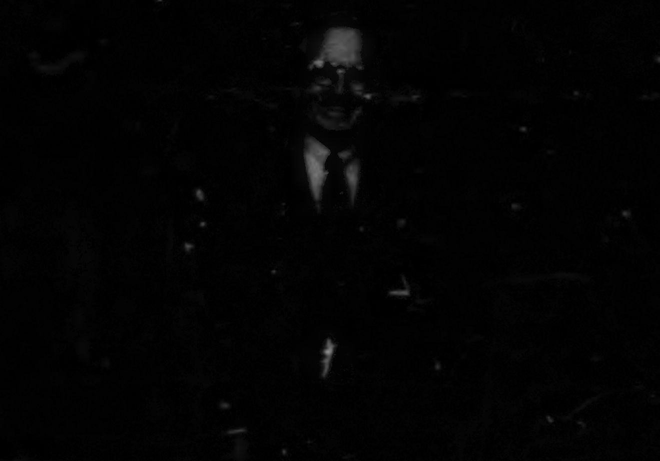
"This year's sales pattern is expected to show strong performances across all merchandise lines," Wells says. "In 1985, noninterest rate sensitive goods, such as apparel and soft home furnishings, should do better than the housing related, big ticket durables."

Positive indicators, says Wells, include employment and wage growth, moderate inflation, increases in household net worth and significant gains in real disposable income.

3750-7

Chain Store Age

GENERAL MERCHANDISE EDITION



"We're no longer comfortable with the status quo."

[illegible]

TWO DOLLARS PER ISSUE

SPECIAL K MART ISSUE

December 1984

THINKING DIFFERENTLY: K mart's formula for success in 80's 20
PROFILE: Ben Fauber—Private man in the public eye 28
MANAGEMENT REPORT: Fauber's team has a California flavor 40
CONSUMER STUDY: Survey reveals effects of upgrading 51
ADVERTISING STRATEGY: Bringing back the "saving place" theme? 71
STORE RENOVATION AND CONSTRUCTION: Reshaping at a furious pace 78
FIELD SUPERVISION: Behind the face lift 85
CONSUMER ELECTRONICS: Setting the pace in the electronics market 91
HOUSEWARES: K mart takes on the upscalers 109
TOYS: Toys no game but serious business 123
DOMESTICS: K mart revolutionizes domestics sales 130
STATIONERY: School supplies still at top of class 135
HARDWARE: Home Care Centers build up do-it-yourself market 141
JEWELRY: Much glitter but little substance dulls image 149
FOOD SERVICE: Gourmet cookies, but less cookie-cutting 150
PHOTO/CAMERA: A measure of fashion brought to photo 153
SHOES: Meldisco puts its best foot forward 157
HEALTH & BEAUTY AIDS: The verdict is the price is still right 159
SPORTING GOODS: Trendy, upscaled mix tops $500 163
APPAREL: Mixed reaction to apparel upgrade 167
BUILDERS SQUARE: Squaring off against competition 178
DESIGNER DEPOT: Playing the Name Game 184
WALDENBOOKS: Planning discount venture 188
ACCENTS: Is Accents K mart's Plums? 193
FOOD DIVERSIFICATION: Food fuels K mart's profit picture 194
FINANCIAL SERVICES: K mart and the serious investor 196
JAPAN: How successful is this venture? 197
PENNINGTON ON PLANNING: Customer service: An object of managerial neglect 199
CLASSIFIED MART 200
WASHINGTON VIEWPOINT: Summing up the 98th Congress 206

CHAIN STORE AGE General Merchandise Edition (ISSN 0193-1350) is published monthly by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Retailers: $12 a year; three years, $32. Wholesalers, manufacturers, schools, libraries and all others: $20 a year. Foreign subscriptions: Airmail only, $100 a year. Single copy rate $2. Second Class postage paid at New York, N.Y., and at additional mailing offices. Vol. 60, No. 12. Copyright © 1984 by Lebhar-Friedman Inc. All rights reserved.
ALL CORRESPONDENCE should be addressed to Executive Offices, Chain Store Age General Merchandise Edition, 425 Park Ave., New York, N.Y. 10022. For a change of address, six weeks notice to Circulation Fulfillment Director, 99 Park Ave., New York, N.Y. 10157, is requested. Give old and new address and zip code. If possible enclose address portion from cover on previous issue. Postmaster: Please send address changes to *Chain Store Age*, General Merchandise Edition, Subscription Dept., 99 Park Ave., New York, N.Y. 10157. Member Audit Bureau of Circulations, Second Class Mail Publications Inc., and Magazine Publishers Association.
Copyright © 1984 by Lebhar-Friedman Inc.

new ventures, both of which K mart says it is examining carefully.

The list of possible additions to the K mart fold includes virtually any kind of discount specialty retailing: Super drug stores, off-price apparel units, sporting goods centers, discount auto stores. In most cases K mart is searching for promising fledgling companies with a stable management team which can be rolled out nationally, but the chain will also continue to experiment with internally generated formats.

"Let's not forget that the K mart stores were created internally," says Fred Stevens, executive vice president of specialty retailing.

Right now the one acquired company which has the potential for explosive growth is Home Centers of America, which K mart snapped up for $90 million even though HCA was not profitable.

"We did pay too much for it," says Fauber of HCA, which has been redubbed Builders Square. "But we think it could quickly become the largest operation of its kind in the country."

K mart is also toying with a host of other formats, including a deep discount H&BA store, off-price housewares and specialty off-price apparel. But currently the only concept which seems to have enough momentum to produce an impact on the chain's volume by 1989 is Designer Depot, which now totals 50 units and will encompass 75 stores by the end of 1985.

If all goes according to K mart's diversification plans, the American landscape may soon include a new entity: the K mart shopping center. Imagine a K mart discount store on one end of a center and a Builders Square on the other. In between you'll find perhaps a Waldenbooks store, a Furr's cafeteria, an off-price clothing unit, maybe even a discount drug or auto parts store—all owned by K mart.

"We believe we know what we're doing in retailing, and we're no longer comfortable with the status quo. We'll be trying different things," Fauber says.

Into the 1980's: If there is one way to sum up Fauber's tenure as chairman it's by saying that he's refused to accept the status quo. He took on a chain whose image, for better and sometimes for worse, was etched more clearly on the American psyche than any other retailing institution. Now he is seeking to change that image, or at least reshape parts of it which are no longer useful.

To Fauber the wisdom of what he's trying to do seems clear, and he believes that others will soon come around to his way of thinking.

"I don't believe many people understand us yet," Fauber says. They can't see the scope of what we're trying to do. They just see the parts. They call us upscale, but I'm not comfortable with that term. What we're doing is bringing K mart into the 1980's to better serve our customer. It's a dream of ours, and now it's close to reality." ☐

The Troy prototype isn't the first time K mart has attempted to upgrade, but this is perhaps the first time that they've pulled together the whole package.

Survey reveals effects of upgrading

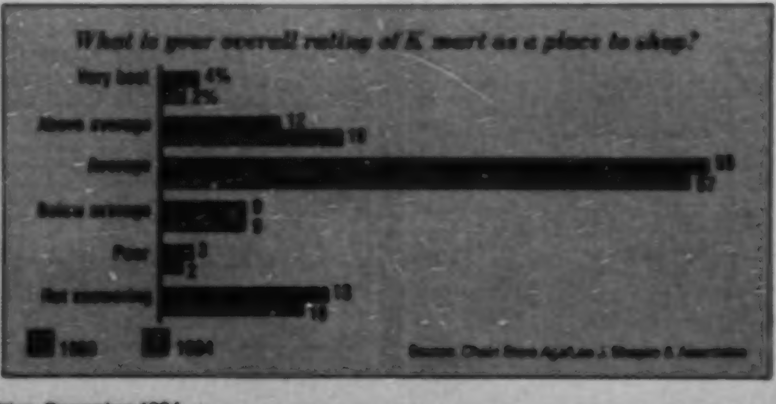
Will it work? Will upgraded assortments, reformatted stores and new merchandise presentations expand the market basket of the average K mart customer?

For children's and infant's apparel, home electronics, photo/camera, and housewares the answer appears to be yes. For adult apparel, the future is less clear. On the whole consumers are giving K mart higher marks and spending more than they did only four years ago, but some entrenched shopping patterns and attitudes remain unchanged.

These are some of the conclusions from an exhaustive *Chain Store Age*/Leo J. Shapiro & Associates consumer survey. The *CSA*/Shapiro poll, consisting of over 2,100 interviews during a four year period, represents the single largest independent study of nationwide K mart customer attitudes and the first objective means to judge K mart's progress and potential.

K mart officials are quick to point with pride to their far-flung and varied customer base. The *CSA*/Shapiro poll confirms both the enormity and diversity of the K mart customer profile. According to the study, 73% of those polled have shopped K mart stores within the last year. This continues a four year upward trend. Two years ago the figure stood at 72%, while in 1980 the number was 68%. In 1984, 41% of respondents had shopped a K mart store in the last month, compared to 36% four years earlier.

Contrary to the blue-collar stereotype impression that continues to plague K mart, the *CSA*/Shapiro poll reveals that the typical K mart customer is actually a microcosm of



Source: Chain Store Age/Leo J. Shapiro & Associates

The signs were there for all to see, but it took quite awhile for the wheels of change to start turning fast enough to make a difference.

Who shops K mart?

	% of K mart shoppers
Occupation: • Professional	12.5
• Technical	5.5
• Manager	13.4
• Clerical	4.5
• Salesworker	6.4
• Craftsman	11.7
• Operative/unskilled worker	9.8
• Service worker	4.7
• Laborer	3.1
• Retired	20.7
Income: • Under $20,000	38.7
• Over $20,000	60.6
Education: • High school or less	52.2
• Some college or more	46.5
Sex: • Male	46.6
• Female	53.4
Age: • Under 25	12.8
• 25-34	24.1
• 35-44	18.6
• 45-54	12.7
• 55-64	14.5
• 65+	15.3

Source: Chain Store Age/Leo J. Shapiro & Associates

Buying patterns haven't changed significantly

	% definitely/probably would buy at K mart		% definitely would not buy at K mart	
Product	1980	1984	1980	1984
School supplies	62.2	62.6	21.8	21.9
Greeting cards	60.9	61.9	17.1	17.7
Shampoo	64.5	66.4	17.3	16.8
Dish drainer	61.1	64.3	19.4	19.7
Plastic container	61.3	64.2	16.3	17.9
Glassware	56.4	58.6	20.9	22.8
Baseball bat	53.6	55.5	26.3	31.0
Basketball	53.1	55.5	25.9	29.9
Plush toy	53.1	60.1	23.1	23.7
Film	53.4	60.1	19.6	17.5
Hobby kit	50.8	52.6	26.0	27.9
Skin cream	49.2	53.4	28.4	29.9
Sheets and pillowcases	49.6	51.6	22.6	24.3
Auto jumper cable	45.2	50.2	30.4	30.8
Hair blower	43.5	53.8	29.4	29.0
Fragrance	37.1	38.9	37.7	40.5
Blank audio tape	37.1	38.1	34.7	36.9
Tennis shoes	38.8	35.7	35.3	36.1
Power sander	30.7	34.1	39.5	42.5
Auto battery	30.5	34.8	43.8	44.5
Cassette tape recorder	29.8	30.1	43.4	44.7
Junior blouse	23.8	28.6	45.2	48.8
Junior dress	21.5	25.4	47.8	48.9
Dress shoes	17.8	18.8	57.9	62.2

Source: Chain Store Age/Leo J. Shapiro & Associates

America itself. Regardless of how the polling base is divided, those who shop K mart do so in nearly exact proportion to their share of the population as a whole.

For example, professionals comprised 12.4% of the 1984 study and represent 12.5% of K mart shoppers. Technical workers were 5.6% of the polling base and 5.5% of K mart customers. Those earning over $20,000 represented 59.2% of the study sample and 60.6% of K mart shoppers. The average age in the polling population was 44.1, while the average K mart shopper was 43.5 years old. Across the board, virtually the same results appeared in the 1980 survey.

While the study shows that America shops K mart, it also reveals some significant differences between frequent and occasional K mart shoppers. The frequent K mart customer (those who shop the store one or more times a week) is older, less upscale professionally, has a smaller family income, less education and a larger family than the occasional customer (those who shop the store once a month or less).

Professionals amount to 12.5% of K mart shoppers overall, but only 5.5% of frequent customers. Technical workers comprise 5.5% of toal K mart shoppers, but only 2.2% of the frequent group. The average income for frequent customers is $23,600, for occasional shoppers household income stands at $24,900. The mean age for frequent K mart customers is 46.7, while the average for occasional shoppers is 43.2. Family size for frequent shoppers averages 3.1, compared to 2.9 for occasional shoppers.

Higher marks: While 57% of those polled rate K mart "average" as a place to shop, the number of respondents who rate the discounter "above average" or "very best" has grown from 16% in 1980 to 21% in 1984. At the same time, those who give "below average" or "poor" marks have slipped slightly from 12% four years ago to 11% this year.

Though consumers may be giving K mart high ratings as a place to shop, the national *CSA*/Shapiro poll reveals that consumer perceptions of what they would and would not buy at K mart have not significantly changed in the last four years, despite assortment changes and upgrading. Commodity products remain the discounter's strong suit, while apparel still represents the most troublesome area.

Four years ago consumers were asked to rate their chances of buying 24 product categories at K mart. In the 1980 poll, the five

Price and merchandise sell this K mart shopper

Lynn Bishop is the kind of customer retailers dream about. The Pompton Lakes, N.J., medical laboratory technician, wife of an airline pilot and referee to 12- and 15-year-old daughters (Tracey and Melanie), is the upscale, suburban shopper many retailers target as their prime customer. She is also a K mart shopper.

"I shop at some department stores, mostly Sterns," she says. "I buy an awful lot at Sears—in fact, if I'm on vacation I'll actually search out a Sears if I need something.

"But I guess I buy more things at K mart than I realize. I go there about once a month, or maybe a little more. I think I'm genetically incapable of paying full price for anything," she says.

Like many K mart shoppers, Lynn's typical shopping patterns lean heavily toward commodity items, a pattern the discounter hopes to change. "I buy shampoo and toothpaste when I don't get them at the supermarket," she says, "but the K mart I go to is right next to the supermarket where I usually go first.

"For the most part I buy our video tapes there, school supplies for the girls, film, underwear—I guess at one time or another I've bought something from every department in the store," she adds.

"We buy some things like small appliances and radios at K mart, but we wouldn't make any major purchases there. There's no real reason for that—I guess we just don't think of it as the place to go for some things. My husband bought the VCR last year at 47th Street Photo in New York because it was a very low price.

"There's nothing I *wouldn't* buy at K mart—except I don't think I've ever bought clothing for myself there," Lynn adds. "I really go to K mart because of the prices. The Jamesway around here is not too great, and the Bradlees is too expensive."

Lynn Bishop and daughters Tracey (l.), Melanie (r.).

Though price is the primary reason Lynn shops K mart, upgraded merchandise and new displays at the Wayne, N.J., store she shops have not passed her attention. But it has taken her time to notice some of the changes, since Lynn primarily seeks specific department destinations and usually does not shop the whole store.

"The first changes I noticed were in Bed and Bath," she says. "But I think they may have changed the department a long time before I noticed, because it's in the back of the store and not near any of the items I usually buy at K mart. But they have some really nice things now, like Cannon towels, that are of department store quality."

Apparel is the most challenging area for K mart, and Lynn and her daughters clearly demonstrate the problem. "The clothing is displayed a lot better now," Lynn says, "but I still don't think that I'd ever buy anything for myself there. And now that the girls are older, I think they'd kill me if I bought them anything at K mart.

"When the kids were little, I bought some of their clothes there, but I don't anymore. Recently, though, I bought some infant's clothes at K mart for $2 when I figured out it was cheaper than buying the Cabbage Patch outfits for my younger daughter's dolls."

K mart's downscale image, the butt of hundreds of *Tonight Show* jokes, may be the discounter's hardest nut to crack. "I wouldn't shop there for *anything*," 15-year-old Melanie says.

"It's funny," says Lynn, "But once I was standing in line at K mart in front of this very well-dressed older woman, and she started talking to me. It was almost like she was apologizing to me for being in a K mart. She told me that she normally didn't shop there, but that the prices for the items in the mail circular were so good that she couldn't pass them up.

"The one complaint I have about K mart has nothing to do with the merchandise," says Lynn, "It's the checkout lines. Sometimes the lines are so long and so slow, that your children could outgrow the clothes you're buying for them before you even get to the cashier."

Will that keep Lynn away from K mart? "Not really," she answers. "The prices are usually worth the wait."

---

products most likely to be bought were school supplies, greeting cards, shampoo, dish drainers and plastic containers. Three out of 5 polled said they definitely or probably would buy these products at K mart if they were looking to purchase them.

By 1984 the top five list changed only slightly, with film rising to the No. 2 slot, and greeting cards going down to No. 6. Though the variety of products that consumers would buy at K mart has remained relatively unchanged in the last four years, 23 of the 24 products (with fragrances the sole exception) charted a rise in consumer's likelihood of buying them at K mart.

More troublesome to the discounter may be similar behavior at the bottom of the list—those products consumers say they definitely would not buy at K mart. Dress

'There's nothing that's not succeeding . . . Some areas are performing better than others, but there's nothing that's not succeeding.'

—Michael Wellman, director of planning and research

shoes, junior dresses, junior blouses, cassette tape recorders and auto batteries were the five products consumers tagged in the 1980 study as those they were least likely to buy.

In the 1984 survey the same five products held the bottom positions on the list. More disturbing, each of the five bottom categories showed a gain in the number of people who say they definitely would not buy at K mart. The most dramatic loser was dress shoes. In 1980, 57.9% of those polled said they definitely would not buy dress shoes at K mart. In 1984 the number had jumped to 62.2%.

Eight products tracked in the *CSA*/Shapiro poll—fragrances, tennis shoes, power sanders, auto batteries, cassette tape recorders, junior blouses, junior dresses and dress shoes—combine to present K mart with significant problems. These are the eight categories for which consumers who definitely would not buy at K mart outnumber those who definitely or probably would.

In your own words, what is it that tempts you to shop at K mart?

	National		Troy, Mich.
	1980	1984	1984
Low prices/specials	55.8	60.6	61.7%
Wide variety/selection	15.5	16.6	24.0
Convenient	[illegible]	[illegible]	[illegible]
Friendly/helpful personnel	1.6	2.7	1.7
Good exchange policy	[illegible]	[illegible]	[illegible]
Like specific department	26.2	19.0	8.0
Good quality	3.5	6.0	6.7
Location near home	3.4	9.5	28.0
Ads	[illegible]	[illegible]	[illegible]
Carry name brands	—	—	2.3
Other	—	—	[illegible]
Easy to get in and out of store	—	—	2.0
Long hours	—	—	[illegible]
Nothing	9.0	12.6	2.7

Source: *Chain Store Age*/Leo J. Shapiro & Associates

Troy, Mich., prototype customers notice the difference . . .

What changes have they made in that store over the past year or two?

Positive comments	[illegible]
• Remodeled/eye appealing	[illegible]
• Better quality	20.5
• More name brands	[illegible]
• More variety/selection	9.0
• Enlarged store	[illegible]
• Added departments	1.2
• Better displays	[illegible]
• Prices/cheaper/competitive	1.2
• Other positive comments	[illegible]
Negative comments • Higher prices	3.6 1.8
• Other negative comments	[illegible]
None	13.9
Not answering	[illegible]

. . . and are buying more

Buying more	[illegible]
Buying less	9.6
Buying the same	[illegible]
Not answering	19.3

Source: *Chain Store Age*/Leo J. Shapiro & Associates

Each of the eight has lost ground in consumer buying intentions over the past four years. In 1980, for example, 37.7% of those polled said they definitely would not buy fragrances at K mart. By 1984 the figure had risen to 40.5%. Four years ago, 39.5% said they would not buy a power sander, and this year the total increased to 42.5%. In 1980, 45.2% of those questioned definitely would not buy a junior blouse, while in 1984 the figure jumped to 48.9%.

"Too soon": K mart officials, however, tag the strategic changes as performing right on target. "There's nothing that's not succeeding," says director of planning and research Michael Wellman. "Some areas are performing better than others, but there's nothing that's not succeeding."

"In some ways you're doing your study too soon," Wellman adds. "You can't tell people for 22 years the reason to shop you is for price, and then expect them to turn right around and shop you for quality."

Wellman asserts that none of the strategic changes can be judged with any certainty until 1987, when the program is fully in place and customers have had enough time to notice these changes.

Yet K mart's Troy, Mich., prototype presents the best opportunity to predict the program's future nationwide success. The 96,000-sq.-ft. Troy store was reformatted and received both upgraded merchandise and new presentations a year ago. To gauge the effect of these changes on consumer attitudes, the *CSA*/Shapiro poll interviewed 300 Troy residents as part of a separate study.

True to Wellman's predictions, consumers in Troy still shop K mart for low prices and specials. Nationally, the number of people tempted to shop K mart for price has risen from 55.8% in 1980 to 60.6% in 1984. Troy residents cite low price just about as frequently (61.7%) as the national sample.

The number of respondents who cite quality as the K mart attribute that tempts them to shop the discounter has increased from 3.5% in the 1980 national poll to 6% in the 1984 study. Slightly more Troy residents (6.7%) mention quality.

While the number who mention K mart's wide variety and selection

Adult apparel lags at prototype store

	% definitely/probably would buy at K mart		% definitely would not buy at K mart	
	Troy	National	Troy	National
Children and infants' apparel	52.4	36.0	29.3	38.1
Housewares	63.4	42.2	18.6	25.8
Electronics and Camera	46.0	31.8	28.5	42.0
Adult apparel	28.8	26.6	53.2	48.5

Source: Chain Store Age/Leo J. Shapiro & Associates

Frequent apparel shoppers rate K mart highest

Frequency of apparel purchases at K mart	Almost never	Moderate	Often
How do you rate K mart as a place to shop?			
Very best	3.3%	4.9%	12.2%
Above average	27.1	35.4	51.4
Average	56.3	57.3	36.4
Below average	9.0	2.4	0.0
Poor	2.8	0.0	0.0
No answer	1.3	0.0	0.0
Average spent yearly in K mart			
	$216	$316	$484
Average spent yearly on clothing in K mart			
	$22	$74	$200
Average (median) times shopped K mart in last year			
	12.0	29.0	52.0

Source: Chain Store Age/Leo J. Shapiro & Associates

as a reason to shop there has remained steady in the national poll (15.5% four years ago, compared to 16.6% today), 24% of Troy respondents cite K mart's breadth of assortment.

In addition, Troy shoppers appear to shop more of the store than the national sample. Those who shop K mart because they like a specific department has dropped from 26.2% in the 1980 national poll to 19% in 1984. However, only 8% of Troy residents cite specific departments as a reason to shop K mart. This may be an indication that Troy customers have begun to shop more of the refixtured and remerchandised store and are now less destination shoppers than their national poll counterparts.

Troy customers also just seem to like their K mart better. Only 2.7% say there's nothing that tempts them to shop the store, compared to 12.6% in the latest national sample. The national sample also ranked K mart as an above average or very best place to shop by 21% of respondents. In Troy 41.3% put the discounter in the top categories.

An astounding 97% of Troy respondents have shopped at K mart in the last year, compared to the 89.3% who had shopped Sears and 93% who had shopped J. C. Penney. And they shop K mart more frequently. Last year Troy respondents visited K mart an average 33.3 times, compared to Penney's 18.6 and Sears 17.

Changes noticed: 72.6% of Troy K mart shoppers have noticed changes in the prototype store, and an overwhelming 81.3% of them have something good to say about it. Fifty-eight per cent of Troy customers mention that the store has been remodeled and is more eye-appealing. More significantly, 20.5% cite better quality merchandise, 12.7% mention more brand names and 9% praise greater assortment variety.

The best news for K mart, though, is that nearly half (48.2%) of Troy customers say that they are now spending more at the store than they did before. Only 9.6% report buying less, while 22.9% say they are spending about the same.

Though much of the information gleaned from the *CSA*/Shapiro study confirms K mart's upbeat projections for the chain's future, the poll also reveals that the prototype's success is not across-the-board. According to the *CSA*/Shapiro survey, the Troy store posts significant gains in home electronics, photo/camera, housewares and children's and infant's apparel. Adult apparel, on the other hand, continues to underperform.

When asked if they would buy a cassette tape recorder at K mart, 54.3% of the Troy sample responds that they definitely/probably would, compared to 30.1% in the national sample. Telephones post an 11.3% gain in Troy over the national sample (41.4% definitely/probably would buy in Troy, compared to 30.1% nationally).

In Troy 43.3% say they would buy a 35mm camera at K mart, as opposed to 11% in the national study. Overall, 46% of the prototype's customers say they would buy electronics and cameras at K mart, compared to 31.8% nationwide.

The big winner, though, is children's and infant's apparel. In the Michigan prototype market 52.4% of those questioned say they definitely/probably would buy children's and infant's apparel at K mart, compared to only 36% in the national sample.

Adult apparel is another story. While 28.8% in the prototype market say they definitely/probably would buy adult apparel at K mart, this is virtually the same as the national figure of 26.6%. More importantly, in the Troy market the number of people who definitely would *not* buy adult apparel at K mart is actually higher than the national sample (53.2% in Troy, compared to 48.5% nationwide).

In the prototype market, 31.7% say they definitely/probably would buy a men's dress shirt at K mart, compared to 33.9% in the nationwide poll. Also, 45.7% in the Troy sample say they definitely would not buy a dress shirt at K mart, a hefty 10.9% more than the 34.8% with negative responses in the na-

About the study:

Information for the *Chain Store Age*/Leo J. Shapiro & Associates survey comes from three studies: 1) a national study conducted during July and August 1980 in which a total of 933 male and female heads of United States households were interviewed; 2) a national study conducted during June and July 1984 in which a total of 901 male and female heads of United States households were interviewed, and 3) a study conducted during July 1984 in the Troy/Sterling Heights, Mich., area in which 300 women and men, designated as the primary shopper in the household, were interviewed.

The study may be purchased for $250 by contacting Murray Forseter, editor, *Chain Store Age*, 425 Park Ave., New York, N.Y. 10022.

K mart shows little gains in apparel market share
(Where are you likely to buy your next _____ ?)

	Dress		Pantsuit		Blazer		Pants		Jeans		Shirt		Knit shirt		Blouse		Coat		Shoes	
Store	'80 %	'84 %	'80 %	'84 %	'80 %	'84 %	'80 %	'84 %	'80 %	'84 %	'80 %	'84 %	'80 %	'84 %	'80 %	'84 %	'80 %	'84 %	'80 %	'84 %
Catalog chain	12.6	16.8	18.4	20.1	16.8	9.7	24.8	[illegible]	14.6	21.3	24.7	21.3	20.3	23.2	14.9	17.3	20.5	19.8	9.6	16.6
Dept. store	33.8	38.3	29.2	32.7	43.1	38.6	29.8	[illegible]	37.2	31.7	24.6	32.8	23.8	18.8	36.1	38.3	35.8	39.4	24.8	15.0
K mart	6.2	7.1	5.8	2.8	1.4	4.8	7.8	6.5	9.1	7.8	6.7	8.8	14.4	16.2	10.9	9.6	3.2	6.9	6.7	7.6
Other discounter	6.6	2.5	6.0	0.6	2.2	2.9	7.0	3.0	13.2	8.1	10.2	5.2	17.8	10.5	9.5	7.6	1.4	4.3	4.2	0.5
Specialist	18.9	24.2	32.2	27.6	29.2	37.8	20.6	23.2	20.8	22.7	20.6	19.4	18.2	18.1	19.5	21.2	30.3	20.6	43.6	48.1
Other	9.1	5.7	3.2	5.9	3.1	4.4	4.9	3.8	1.4	2.9	2.6	3.2	3.5	3.9	3.1	4.1	2.9	3.3	6.5	2.0
No answer	6.6	6.2	6.6	10.3	5.8	3.2	5.8	5.2	5.1	5.4	10.6	9.5	2.8	10.1	6.8	1.9	6.7	6.5	4.6	10.2

Source: Chain Store Age/Leo J. Shapiro & Associates

tional poll.

The future: K mart's strategic plan calls less for expanding its already tremendous customer base than it calls for increasing the amount and variety of purchases by the average customer. The *CSA*/Shapiro study provides both encouragement and caution for K mart executives.

If the Troy prototype can be successfully replicated throughout the rest of K mart's far-flung empire, the *CSA*/Shapiro survey gives ample evidence of the dramatic results that can be achieved in improved consumer perceptions and increased spending to fill a market basket with a greater assortment of merchandise.

The study also pinpoints that adult apparel will have a more difficult time finding its way into that market basket than perhaps even K mart executives anticipate.

Whether or not adult apparel will eventually succeed is a question the current study can not answer. Adult apparel suffered perhaps the most maligned image in K mart's traditional merchandise mix, and it is possible that consumers simply need more time to overcome their preconceived notions. Consumers themselves will soon answer that question. ☐

In 1985, K mart is considering a return to the aggressive price-oriented advertising theme, but the campaign will still emphasize brand names.

Bringing back the savings place theme?

Advertising, almost more than anything else, conveys to consumers a distinct image of a retailer. A store can claim it's "like no other store in the world" *a la* Bloomingdale's or "a department store with a difference" like Bradlees.

For years, K mart's advertising hyped low prices. "The savings place" offered few mentions of quality or shopping environment as these things were not considered priorities by the discounter's management.

That changed, along with many things at K mart, during the last two years. More emphasis on brand name merchandise, the addition of better displays in many areas of the stores and the general upscaling, were all mirrored in an advertising campaign that downplayed price and emphasized the personal touch.

But for '85, K mart topsiders are considering a return to a more aggressive price-oriented ad theme that retains the emphasis on name brands, but hits harder at price.

A signal of this shift was seen during the Summer Olympics with the airing of a TV spot showing a middle America-type store manager guaranteeing to match any other retailer's prices. While it has always been corporate policy to permit store managers to meet the competition's prices, this was the first time the company so blatantly advertised the fact nationally.

The next move may well be a return to "the savings place" campaign of the past. The current tag line—"we've got it and we've got it good" is, according to James Mosser, K mart vp sales/gmm, "difficult for the consumer to understand. Chances are the savings place will get more emphasis, as this theme is easier for the consumer to understand. After all, no campaign lasts forever."

The return to price/savings comes on the heels of less than spectacular results for K mart's new advertising approach. Spending this year will approach the $600 million

October sales neither trick nor treat

The back-to-school spending blitz that boosted September sales did not spill over into October. Sales for the 25 chains tracked by *Chain Store Age* increased 9.7% for October and finished the third quarter up 11.5% for the nine-month period.

"Major retailers will average monthly sales gains of 9%-11% year over year during the rest of 1984," says Donaldson, Lufkin and Jenrette vp Stuart M. Robbins. "Our early line on Christmas suggests neither boom nor bust, but a steady 7%-9% increase for overall GAF and a gain of 8%-10% for the leading merchants."

High inventory levels throughout the industry, however, continue to encourage heavier markdowns and will increase pressure on margins in the fourth quarter, says Robbins.

Montgomery Ward paced the Big 3 catalog chains in October, posting a 12.1% increase, outperforming its 10.7% nine-month gain. Sears, hampered by a 1.7% sales drop for Sears Canada, ended the month with a 2.1% increase. Volume for the first three quarters, however, hit a record $16.5 billion, up 6.1% over 1983. J. C. Penney was up 8.6% for October and 15.1% for the year.

Among the department stores, Carter Hawley Hale continued to lead the pack with October's gain at 20.1%, the 22nd consecutive month the Los Angeles-based retailer has posted double-digit sales increases. Store-for-store department store division increases hit 20.5%, while comparable store gains for the specialty division lagged at 9.9%.

K mart's 17.8% jump for October marks the fourth consecutive month the discounter's monthly performance has outpaced its year-to-date figures. Store-for-store totals in October gained 13%. Same-store results for discounter Wal-Mart jumped 11% in October, with nine-month figures up 17%.

Once again Tandy's United States Radio Shack division showed signs of weakness. Even though the Radio Shack division recorded a 1% sales gain for the month, comparable store totals dipped 3%.

October no fest, but sales gains steady

		Oct. Sales*		Stores		9-mo. sales*		
Major chains	**% change**	**1984**	**1983**	**1984**	**1983**	**1984**	**1983**	**% change**
Sears[1,6]	+ 2.1	1,815,590	1,779,079	880	890	16,468,981	15,527,076	+ 6.1
Penney	+ 8.6	908,000	836,000	2,017	2,036	8,224,000	7,142,000	+ 15.1
Ward[1]	+ 12.1	520,757	464,723	367	376	4,505,515	4,068,526	+ 10.7
Federated[5]	+ 7.6	601,100	558,500	451	424	5,272,000	4,741,300	+ 11.2
Dayton Hudson	+ 14.4	570,757	498,703	1,139	1,073	4,999,006	4,308,322	+ 16.0
May Dept. Stores	+ 10.7	352,400	318,300	1,771	1,540	3,124,400	2,748,600	+ 13.7
R. H. Macy	+ 8.8	317,200	303,800	96	93	2,839,300	2,518,900	+ 12.7
Allied Stores	+ 4.5	300,500	287,500	590	568	2,646,900	2,443,800	+ 8.3
Carter Hawley Hale	+ 20.1	313,700	261,200	266	266	2,502,400	2,077,700	+ 20.4
Associated Dry Goods	+ 6.6	309,900	290,700	333	327	2,667,000	2,322,000	+ 14.8
Mercantile	+ 0.4	135,420	134,889	79	85	1,129,949	1,065,831	+ 6.0
K mart[7]	+ 17.8	1,539,364	1,307,315	2,165	2,146	14,219,606	12,945,659	+ 9.8
Woolworth	+ 2.7	411,451	400,796	N/A	N/A	3,939,114	3,736,649	+ 5.4
Wal-Mart	+ 30.3	550,000	422,000	733	629	4,330,000	3,120,000	+ 38.8
Household Merch.[2,3]	+ 1.0	406,611	402,381	3,675	3,845	3,918,420	3,825,138	+ 2.4
T.G. & Y.	− 4.2	136,501	142,512	755	830	1,389,132	1,365,461	+ 1.7
Zayre[4]	+ 13.3	252,280	222,593	822	732	2,103,862	1,751,446	+ 20.1
Bradlees	+ 5.0	105,000	100,000	130	123	914,000	750,000	+ 21.8
Murphy	+ 4.9	68,642	65,430	386	406	624,655	592,900	+ 5.4
Rose's	+ 7.3	62,100	57,854	194	245	613,730	544,736	+ 12.7
Heck's	+ 2.6	36,500	35,500	125	121	320,507	298,544	+ 7.4
Jamesway	+ 4.5	37,460	35,846	83	78	315,536	283,483	+ 11.3
Melville	+ 12.6	330,245	293,283	5,862	5,703	3,298,010	2,868,768	+ 15.0
Tandy	+ 2.6	221,326	215,781	N/A	N/A	817,460	799,210	+ 2.3
Edison Bros.	− 3.2	74,900	77,400	2,327	2,162	786,977	737,381	+ 6.7
The Gap	+ 17.6	34,700	29,500	614	566	344,900	311,600	+ 10.7
Total & Averages	+ 9.7	10,275,905	9,369,573	—	—	90,926,228	81,529,569	+ 11.5

*000 omitted. N.C. = no change. N/A = not available.

[1] Store number for full-line outlets only. [2] Includes 2,745 franchise stores (vs. 2,838 a year ago). [3] Includes Von's and T.G. & Y. sales. [4] Includes 278 Zayre stores (vs. 273 a year ago), 397 Hit or Miss stores (vs. 348) and 147 T. J. Maxx stores (vs. 111). [5] Excludes supermarket sales. [6] Includes results from Sears Canada. [7] Store count includes K mart stores only.

STATEMENT OF OWNERSHIP, MANAGEMENT AND CIRCULATION

(Required by 39 U.S.C. 3685)

Title of publication: *Chain Store Age—General Merchandise Edition*. Publication No. 01931350. Date of filing 10/1/1984. Frequency of issue: Monthly. No. of issues published annually: 12. Annual subscription price: $12. Complete mailing address of known office of publication: 425 Park Ave., New York, N.Y. 10022. Complete mailing address of the headquarters of general business offices of the publisher. 425 Park Ave., New York, N.Y. 10022. Full names and complete mailing address of publisher, editor and managing editor: Publisher—J. Roger Friedman, Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Editor—Murray Forseter, Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Managing Editor—Roxanne Myers (Desk Editor), Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Owner: Estate of Arnold D. Friedman and J. Roger Friedman. Complete mailing address: c/o Lionel Popkin, Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022.

Extent and Nature of Circulation	Average No. Copies Each Issue During Preceding 12 Months	Actual No. Copies of Single Issue Published Nearest to Filing Date
A. Total no. copies (net press run)	38,275	35,200
B. Paid circulation		
1. Sales through dealers and carriers, street vendors and counter sales	—	—
2. Mail subscription	30,647	30,881
C. Total paid circulation (sum of 10B1 and 10B2)	30,647	30,881
D. Free distribution by mail, carrier or other means, samples, complimentary, and other free copies	3,331	2,793
E. Total distribution (sum of C and D)	33,978	33,674
F. Copies not distributed		
1. Office use, left over, unaccounted, spoiled after printing	4,297	1,526
2. Return from news agents	—	—
G. Total (sum of E, F1 and 2—should equal net press run shown in A)	38,275	35,200

I certify that the statements made by me above are correct and complete. Signature and title of editor, publisher, business manager or owner: James R. Granato, vice president.

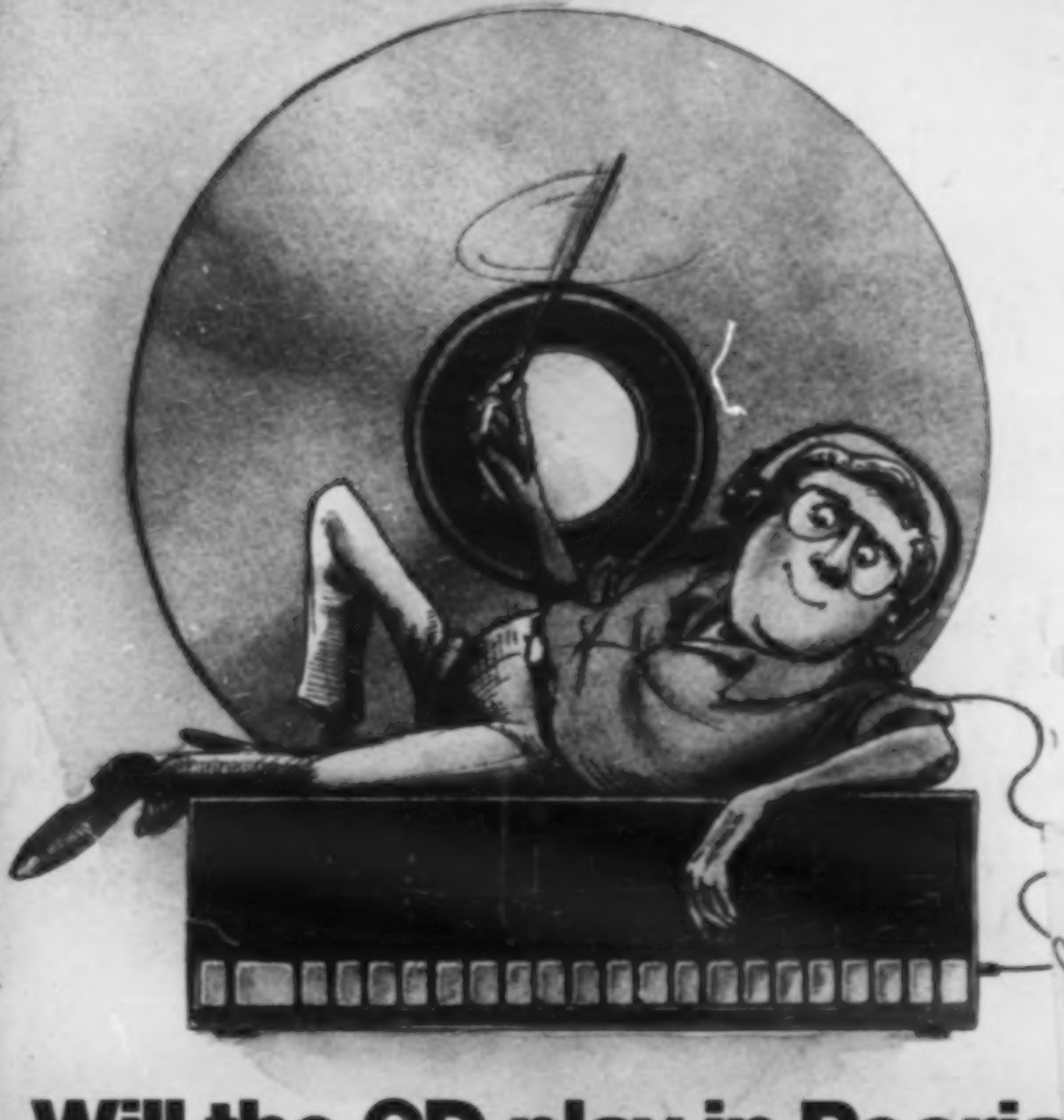
C5150-7

Electronics/housewares MarkeTrends
Have fitness sales grown flabby?

Sears' new chief

Chain Store Age

GENERAL MERCHANDISE TRENDS January 1985



H. Library

Will the CD play in Peoria

TWO DOLLARS PER ISSUE

CONTENTS

CEOs rate their job responsibilities

CEOs have well-defined views on their job priorities, this study shows. Building solid management teams ranks highest on the list 20

The Big 3 revamp domestics depts.

Fierce competition in the domestics market caused Sears, J. C. Penney and Montgomery Ward to rethink merchandising 87

Lady Liberty may prove a retail hit

The famous statue turns 100 in 1986, so fund raisers and private businesses hope to sell licensed merchandise 110

Industry News

Bass speaks out about the new Sears 17
Advertising strategy: Strange bedfellows: Pampers and PCs 24
Outlook '85: Growth is predicted as moderate 28

Photo/Camera

Processing wars: GMers fight back 29

Washington Viewpoint 115

Consumer Electronics

CD price plunges spur mini-boom 30
The karaoke: Singing along without Mitch 35
The battle of the superstores 51
Distilling the software market 57
CE MarkeTrends: Statistics show shifting patterns 66

Housewares

Taking the lid off cookware 75
Undercabinet already crowded? 76
Housewares stirring in Cleveland 77
Housewares MarkeTrends: Microwave bakeware sizzles 80

Domestics

Pillow talk: Sales up due to down 90
Mattress pads cover all corners 91

Sporting Goods

Slowdown due in health care/exercise? 95
Is the bloom of health off health care? 98
Nautilus is no lightweight 100

Toys

Construction toys building solidly 102
LEGO leglocks construction category 104
Bumper crop of Ethnic Cabbage Patch Kids 106

Licensing

Transformers leap to top of licensing poll 111

Classified Mart 112

CHAIN STORE AGE General Merchandise Trends (ISSN [illegible]) is published monthly by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Retailers: [illegible] a year; three years, [illegible]. Wholesalers, manufacturers, schools, libraries and all others: [illegible] a year. Foreign subscriptions: Airmail only, [illegible] a year. Single copy rate [illegible]. Second Class postage paid at New York, N.Y., and at additional mailing offices. Vol. 61, No. 1. Copyright © 1985 by Lebhar-Friedman Inc. All rights reserved.
ALL CORRESPONDENCE should be addressed to Executive Offices, Chain Store Age General Merchandise Trends, 425 Park Ave., New York, N.Y. 10022. For a change of address, six weeks notice to Circulation Fulfillment Director, 80 Park Ave., New York, N.Y. 10107, is requested. Give old and new address and zip code. If possible enclose address portion from cover or previous issue. Postmaster: Please send address changes to Chain Store Age, General Merchandise Trends, Subscription Dept., 80 Park Ave., New York, N.Y. 10107. Member Audit Bureau of Circulations, Second Class Mail Publications Inc., and Magazine Publishers Association.
Copyright © 1985 by Lebhar-Friedman Inc.
A 16-page Royal Business supplement hand inserted between the second cover and page 5.

There is a difference of opinion among ceo's and their middle management teams regarding job priorities. Of common importance, however, is quality of training programs.

CEOs give mixed reviews to staffs

With a clarity of vision that befits lofty and well-paid positions, chief executive officers of the nation's leading retail companies have clear and well-delineated thoughts on their most important job responsibilities.

At the same time, the 66 respondents to an exclusive *Chain Store Age* poll of 249 retail leaders presented a more glowing description of their organizations than did lower management employees previously surveyed by *CSA* during the last two years (See *CSA* April '83, January '84, July '84).

Comparisons of the responses from the different studies, which probed many common areas among ceos, general merchandise managers, buyers and store managers, provide a top to bottom report card on the health and attitudes of retail management.

The ceos split their priorities into three distinct levels and another that appears more as an afterthought than a legitimate area of concern (see chart). Foremost in their minds was building a management team, a fact easily discernible from the numerous key personnel moves that usually accompany, in short order, the naming of a new ceo.

Strategic planning and providing leadership share the second spot, followed closely by the goal of maximizing profits.

Second-tier priorities include motivating employees, maximizing sales and communicating the corporate mission.

Lesser concerns are community relations, store site locations, expense control, staff development and training and inventory control. Almost not worthy of their time and average salary of $238,340 are resource relations, distribution and advertising.

Eye openers: While it is obvious that some functions must rank at the bottom of their priorities, the 2% scores received by distribution and advertising are eye openers.

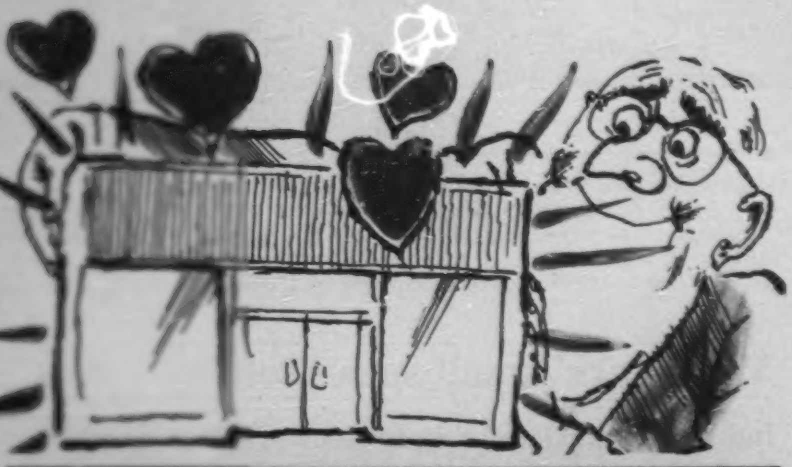
Anyone who has studied Wal-Mart's and Toys "R" Us' spectacular sales and earnings records knows that they have achieved them by systematically matching their growth to the development of an efficient distribution network.

Indeed, Stephen L. Pistner, pres/ceo of Montgomery Ward, recently told a Morgan Stanley retail conference that greater profits will accrue to the "most efficient distributor." His crosstown rival, Sears, Roebuck & Co., apparently agrees, as new merchandising chairman/ceo William I. Bass has set as one of his top three priorities improvements in the chain's distribution/repienishment system.

Few would argue that Lee Iacocca's personal involvement in advertising helped restore Chrysler's image and profitability. Advertising communicates the cutting edge of a company's differentiation.

Yet, it appears retail ceos are not overly preoccupied with the medium or the message.

Feeling good: That's the way the chief executives feel about their companies, though that feeling is not shared with the same intensity at the lower rungs of management.



"Ceo's rate their companies higher than do their staffs for . . ."

	Ceo's	Gmm's	Buyers	Store managers
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Concern for employees	3.9	3.4	2.9	3.0
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Encouragement by supervisors to speak up and offer suggestions	3.6	3.8	3.4	3.1

[illegible]

Data for this article represents the fourth installment of a Chain Store Age survey of retailers. This portion of the study reflects responses from 66 chief executive officers from a sample size of 249. Responses came from ceos of 27 department stores, 14 from discount stores, 10 variety stores, 10 specialty stores and 5 catalog showrooms.

Previous portions studied the attitudes of store managers, buyers and general merchandise managers.

*Conservative marks by ceos**
(*% giving excellent/very good ratings on staff capabilities)

Gmms	56%
[illegible]	47%
Advertising/store promotion staffs	46%
Buyers	41%

Source: Chain Store Age research

As might be expected, ceos give their companies high ratings as to opportunities for promotion. On average they have spent 23 of their 30 years in retailing with their present companies. Gmms and store managers have sharply lower estimations. Buyers have even less belief that they will be promoted.

Buyers similarly gave their companies the lowest grades, and ceos gave them the highest, for concern for employees and recognizing performers within an organization.

While staff development/training is toward the bottom of the ceos' priority list, they are in agreement with gmms, buyers and store managers as to the quality of the respective training programs. They rated them just slightly better than "good."

Mixed signals: Despite this uniformity of thought, ceos are at odds with the three other groups when it comes to assessing their most important responsibilities. The areas of disagreement are interesting to note.

For gmms, the ceos and gmms agreed on planning, maximizing gross margin, training buyers and inventory control. The ceos also listed reviewing buying decisions and maximizing sales. The gmms added maximizing gross margin dollars and sales volume increases.

The buyers and ceos agreed that buyers should set proper assortments/selection, maximize gross margins, plan and negotiate the best deal. The ceos added inventory control and insuring an in-stock position. Buyers had maximizing turns and sales volume increases.

Areas of agreement between ceos and store managers included customer service, sales volume increases, employee morale and customer relations. The ceos also listed expense control and shrinkage control, while the storemen added returning a net profit and planning.

With more store manager bonus programs being tied to profits and not just sales, their net profit inclusion is understandable. Surprising, even frightening, however, is the complete absence from their responses of shrinkage control.

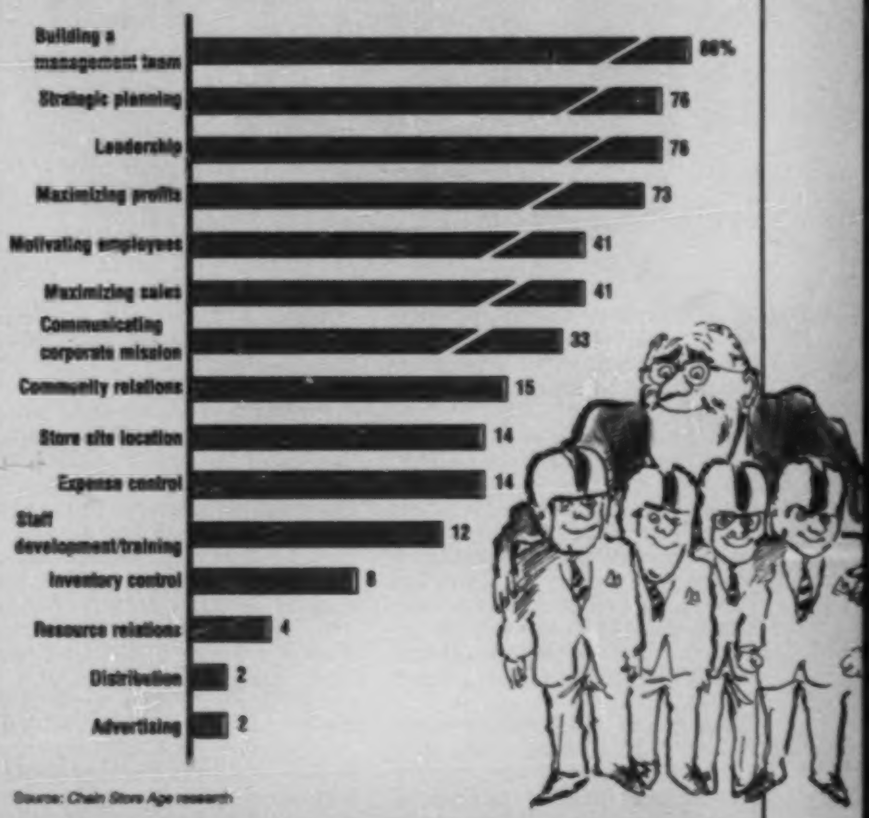
The missing criteria, missing at least in the mind of the ceos, may offer a clue as to why their staffs do not receive strong overall ratings. Asked to rate their capabilities, ceos were harsh scorers indeed.

Only gmms received more than 50% "excellent/very good" ratings. Behind their 56% came store managers at 47% and buyers at 41%. The advertising/store promotion staff earned a 46% excellent/very good mark.

For their own development, ceos said they most needed additional training in planning (58%), computer systems (50%), time management (46%) and motivating employees (41%).

Interestingly, distribution and advertising ranked 10th and 11th out of 13 areas. But their scores of 12% and 11% give some hope that some ceos recognize the need to become more involved in these critical aspects of retailing. ☐

Building a management team top ceo responsibility



Source: Chain Store Age research

Profile of the average ceo

The average chief executive has been in retailing 30 years, has been with his present company 23 years, has been ceo nearly nine years and is 53½ years old.

One in 5 have both merchandising and operations in their background. Forty-seven per cent have merchandising experience alone, 27% operations.

The average ceo earns $288,340 a year.

Processing is a bright spot in the unspectacular photo market. Volume has surged ahead 15% to 20% in the last 12 months for most chain store operations.

Processing wars: GMers fight back

Drug and supermarket chains are aggressively involved in photofinishing.

The good news for general merchandise chains committed to photofinishing is that category volume is expected to remain strong at least through 1985. The bad news is that other well-positioned retailers, especially well-heeled drug and supermarket chains, are going after the business with considerable intensity.

Processing has been one of the few bright spots in the unspectacular photo market. Volume over the last 12 months has surged ahead 15% to 20% for most chain store operations, and GMers have not had to sacrifice gross margins of 30% or better to produce those gains.

In the midst of this feasting photo buyers are wary of mounting pressure from big drug and supermarket chains, who want to expand their share of the market.

The heart of the problem is that more than half of all consumers still rate either price or convenience as the major factor in choosing a finishing outlet. Given that predisposition by customers, supermarket chains, which see the average customer once every five days and are used to working on extremely low margins, have been able to increase their share of the business more than 100% over the past five years and now account for 9% of volume.

Compounding the problem is that drug chains, which control about 30% of volume, have decided to counter the aggressiveness of supers, and the fallout is making everyone uncomfortable. Although not as sharp on price as grocery chains, drug stores are more innovative. Chains like Eckerd and Walgreens pioneered rapid turnaround service.

Faced with this kind of competition, GM chains are attempting to buoy their processing business by emphasizing their strengths as camera retailers. Much of the new photofinishing business is being generated by sales of autofocus cameras.

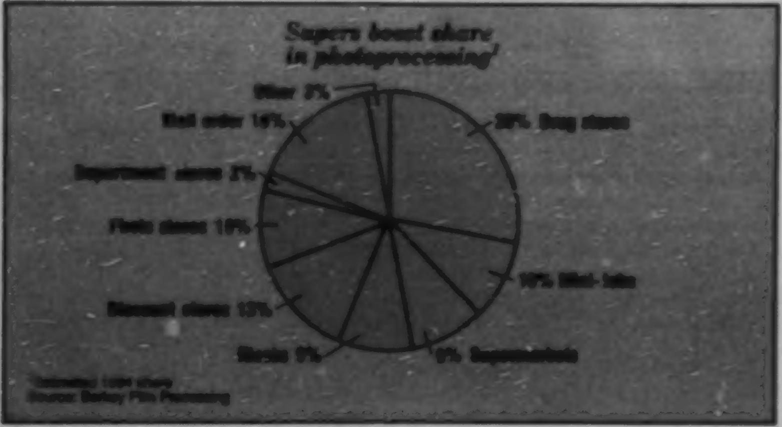
"A customer who buys a 35mm camera is interested in quality work and is likely to give the photofinishing a try at the place where he bought the camera," says Eleanor Ehrlich, director of marketing for Berkey Photo.

To capitalise on what many see as the growing importance of quality in processing, some chains, particularly upscalers like Bradlees and Caldor, have begun offering special features, including glossy finishes, large prints and high grade enlargements. Others are buying back prints which customers don't like. These and other offerings are helping general merchandisers hang on to the customer still reluctant to take photos to the supermarket.

But general merchandise chains have also recognized that they must promote more frequently, and in new ways, because they can no longer count on simply capturing the processing customers as they make their weekly shopping rounds.

G. C. Murphy reports that "substantial" ad increases during the second half of 1984 helped propel its finishing business despite increased competition from grocery chains. K mart tested television ads for processing in one market and saw volume zoom ahead 20%. The chain will soon roll out a coordinated national photoprocessing campaign with television advertising.

That kind of aggressiveness should help discounters maintain their 13% market share over the next two years. But supermarkets are still likely to take more of the business over that period of time, squeezing out department stores, specialty operators and independent stores, creating a market increasingly dominated by mass market chain outlets. ☐



Statistics show shifting patterns

Chain Store Age MarkeTrends, a monthly report of consumer buying intentions making its first appearance with this issue, provides some interesting—and surprising—insights into this year's buying patterns for 12 consumer electronics products.

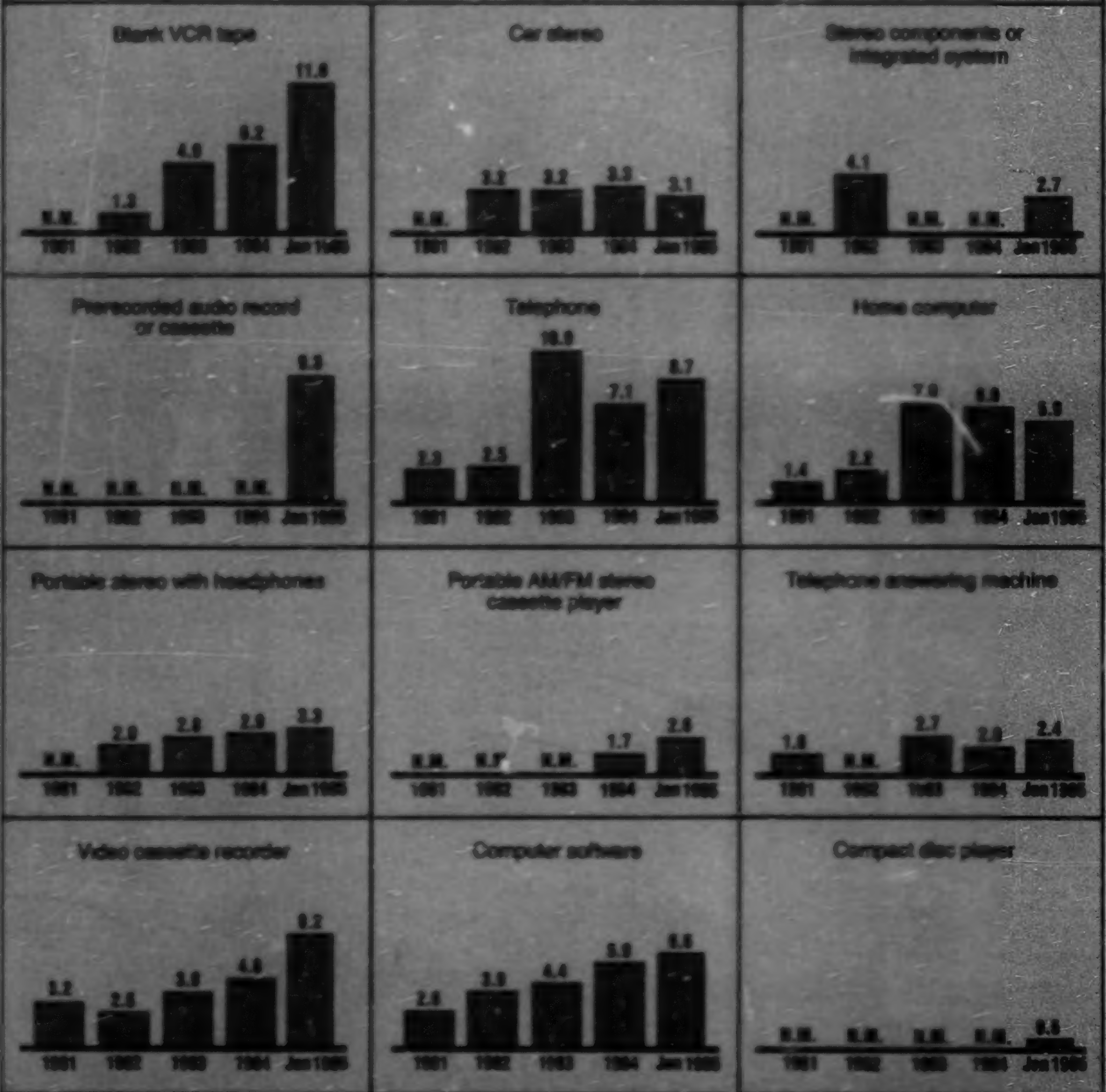
Blank video tapes, video cassette recorders and computer software all continue an upward trend, according to this month's study. For each of these categories, more consumers expect to buy this year than did the year before.

In December 1983, 4.9% of consumers expected to buy blank video tapes in the coming year. In August the number who intended to buy rose to 7.1%. This month's study shows 11%—more than double last year's figure—now state they expect to buy blank video tapes in 1985.

The number of consumers who intend to buy a video cassette recorder itself (see related story) has also more than doubled in the last year, rising from 3.9% in 1983 to 4.8% last August and 8.2% in the current study.

Computer software also continues to show steady growth, but below some of the industry's more op-

*Consumer Buying Intentions**



*% households might buy

N.M. = Not measured

Source: [illegible]

timistic forecasts a year ago. Last December, 4.4% of consumers said they expected to buy software in the following year. In August the figure slipped gently up to 5.9% and in the current study stepped up another notch to 6.6% who intend to buy in 1985.

According to *CSA* MarkeTrends, telephones may have matured a bit more quickly than many had anticipated (see related story). At the end of 1983, 10.9% of consumers reported they expected to buy a telephone in the coming year. By August, the number who intended to buy dropped to 7.1% and in the January survey remains level at 8.7%.

Portable headphone stereos, car stereos and telephone answering machines also remain stable, according to this month's survey. For each of these product categories, consumers expect to buy with just about equal frequency as past years.

Compact disc players, while garnering only 0.5% of consumers who expect to buy in 1985, may provide the excitement in audio for 1985. The study reveals that 60% of shoppers who expect to buy a CD player in the next year have already done some preliminary shopping. ☐

Phone shopping intensity slows

There has been a slowdown in the brisk pace of telephone sales.

August's *CSA*/Shapiro telephone study indicated a drop off in consumer interest in phones, and retailers' results for the latter part of 1984 confirm a slowdown from the brisk sales pace set earlier in the year.

The current *CSA*/Shapiro poll further confirms that although telephones are still the electronics category in which consumers express the most interest, the number of potential customers actively shopping for phones is well below last year's pace.

Part of the explanation for less than expected sales may simply be increased consumer sophistication. The breakup a year ago may have led many consumers to believe mistakenly that they needed to purchase new phones. As the year progressed, AT&T spokesman Andy Griffith's message that there was no need to replace "old reliable" may have taken at least some of the glitter off new phone sales.

Shoppers zero in on $50 telephones

	August '84	January '85
Under $10	[illegible]	[illegible]
$10-$20	15.4	2.2
[illegible]	[illegible]	[illegible]
$31-$50	25.9	35.4
[illegible]	15.7	[illegible]
$100-$149	6.3	6.3
[illegible]	[illegible]	[illegible]
$200 +	2.5	1.6
[illegible]	[illegible]	[illegible]

Source: Chain Store Age/Leo J. Shapiro & Associates

Added consumer sophistication reveals itself most dramatically in collapsing price expectations. When asked what they expect to pay for a phone, potential telephone shoppers in the most recent poll answer $50 with near unanimity. Consumers seem to have all but abandoned both low-end phones (under $20) and the high-end ($100 and up), looking instead for a telephone that costs just about exactly what AT&T charges for "old reliable."

Despite consumers' apparent sophistication, potential phone buyers don't consider themselves expert shoppers, according to the *CSA*/Shapiro study. When asked to rate their talents, telephone prospects think they are better at shopping for VCRs, cookware, coffee makers and microwaves than they are for phones.

Bell, AT&T and Western Electric phones remain the first choice for nearly 1 out of 2 (46.2%) potential buying prospects, a market lead steadily maintained over the first year of deregulation. Name brand (not specific) is next on the list at 22%, followed by G.T.E. with 12.1%, store brand at 12.1%, Cobra with 2.2%, G.E. at 2.2% and Unisonic posting 1.1%.

Among retailers, telephone stores grabbed the largest market share with 31.8%, according to the study. Discount stores took the second spot at 13.4%, followed by Sears, Penney and Ward with 5.9% and electronics specialty stores at 5.8%. ☐

VHS vs. Beta: the jury's still out

Potential customers for video cassette recorders are becoming increasingly brand-conscious and remain relatively unconcerned about the battle between Beta and VHS, according to *Chain Store Age*/Leo J. Shapiro & Associates research.

Though consumers who state a preference between formats choose VHS by a 2 to 1 margin over Beta, nearly two-thirds of those polled say they have no current preference. For Sony, whose fall advertising campaign touted Beta's superior picture quality over VHS, the *CSA*/Shapiro study provides evidence of a market waiting to be brought back into the fold.

The only hitch in Sony's plan to grab back market share for its Beta format, according to the study, is increasing brand loyalty. The current poll indicates that consumers have given very specific thought to what

Consumers have no format choice . . .	
VHS	27.8%
Beta	10.0%
No preference	58.9%
. . . but strong brand preferences	
Fisher	25.0%
Name brand (not specific)	25.0%
Sony	20.5%
Panasonic	14.3%
RCA	13.4%
Zenith	4.5%
Store brand	4.5%
Sharp	2.7%
Magnavox	2.7%
Mitsubishi	0.9%
Other	8.0%
Not answering	2.7%

Source: Chain Store Age/Leo J. Shapiro & Associates

brand VCR they intend to purchase and have not really addressed the format question.

As recently as last August, consumers who answered they definitely wanted their stated brand numbered 15.7%. Only five months later 26.8% of respondents report they definitely want their chosen brand. The number who say brand doesn't make any difference has dropped from 4.9% last summer to 2.7% in the current poll.

The effect of advertising promotion in determining consumer brand preferences, however, should not be discounted. The *CSA*/Shapiro study indicates that potential VCR customers are more fickle when it comes to brand than they report.

VCR sales may suffer if the economy takes a turn for the worse.

Fisher, which didn't even garner a mention in the August poll, comes off strong fall promotional activity and now tops the list as the most preferred brand with a 25% share. Following Fisher are: name brand (not specific) at 25%, Sony with 20.5%, Panasonic 14.3% and RCA at 13.4%.

Regardless of brand, the *CSA*/Shapiro study provides one sober note: if the economy should sour in 1985, VCR customers may jump off the sales bandwagon. In the most recent poll 74.6% of those questioned say they would delay buying a VCR if they needed to curb their family's spending this year. This compares to the 67.3% in the August study. ☐

Computer software market not so soft

Depending upon which industry pundit is asked, computer software is either ready to fall over the brink of disaster or preparing to blast off. The *CSA*/Shapiro poll gives more support to the cheerleaders than to the doomsayers.

The current *CSA*/Shapiro study shows that fully 70% of those who might buy computer programs in the next year were actively shopping immediately before Christmas, exceeding the shopping intensity of even prospective VCR buyers. For a product heavily dependent upon December and January retail sales, the heavy shopping activity bodes well for the industry.

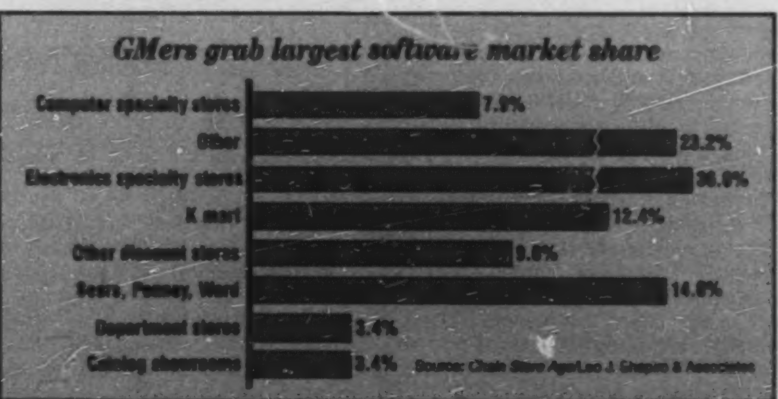
A less encouraging sign for software manufacturers, however, is the continuing failure of any of the publishers to establish a top-of-mind, brand name awareness among consumers. When asked what brand computer program they intend to purchase, consumers have yet to answer with any of the brand names publishers have tried so hard to establish.

Instead, the *CSA*/Shapiro study suggests that consumers are answering the question with the brand name of their computer, and not for the software they intend to purchase. Commodore tops the list with 17.3%, followed by brand name (not specific) at 17.3%, IBM (13.6%), Apple (12.3%), store brand (9.9%), Atari (7.4%), Texas Instruments (7.4%), Coleco Adam (3.7%), Macintosh (1.2%) and Intellevision (1.2%).

Adding to the confusion, consumers are still unsure how much they expect to pay for computer software, according to the survey. Two out of five (40.6%) potential software customers do not give an estimate of what they expect to pay. Among those who do answer, there is no obvious consensus, with estimates ranging from under $10 to over $2,000.

One out of 10 (10.5%) computer program buying prospects admit they are not good shoppers when it comes to software, and consumers rank their overall shopping abilities in the category the lowest of all the products highlighted in this month's poll. The number (17.3%) of potential software customers who rank their shopping abilities as outstanding in the category is also the smallest in the January study.

For the first time the January poll shows general merchandise chains taking the largest share of the home computer software market, garnering 49.3% of unit sales compared to 43.9% for computer and electronics specialty stores. ☐



Source: Chain Store Age/Leo J. Shapiro & Associates

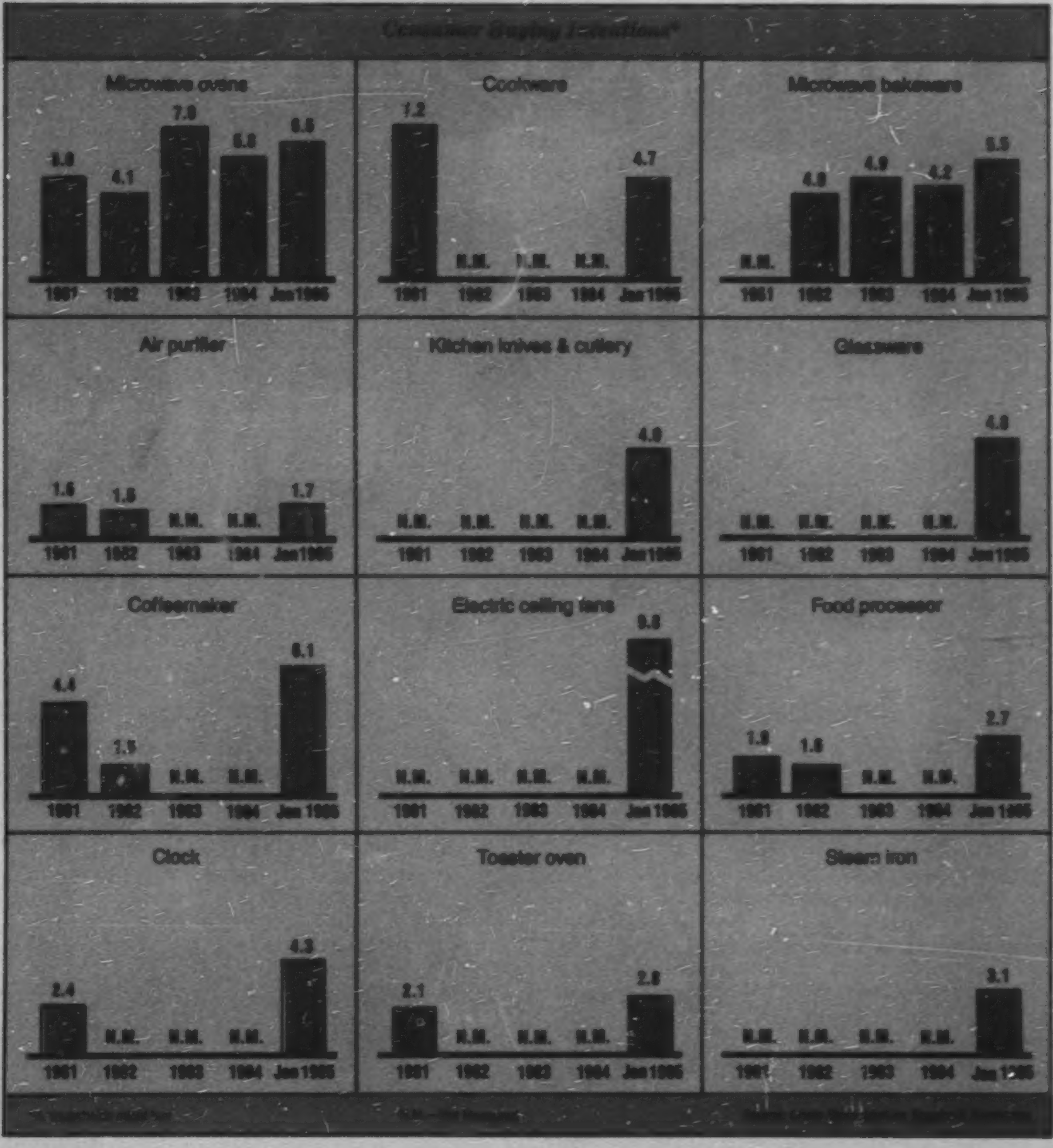
Microwave bakeware to sizzle in '85

This month marks the debut of *CSA* MarkeTrends, a monthly report of consumer buying intentions. Its purpose is to provide insights into some key housewares classifications such as microwave ovens, air purifiers, food processors.

Over the past four years, interest in microwave bakeware has paralleled the interest in microwave ovens. Both show a strong potential buying market for January, coming off of a down year reported in August 1984.

For bakeware, 1985 shows the greatest percentage of potential buyers since *Chain Store Age*/Leo J. Shapiro & Associates began tracking it. The initial buying audience for microwave ovens peaked in December 1983 and has been on the comeback trail ever since.

Almost all the other markets tracked in 1981, and '82 through '85 show growth. Cookware, however, is the exception. Although it wasn't tracked in '82 through '84 inclusive, the market for the merchandise was at a high of 7.2 in '81 compared with 4.7 this month.



Discounters move cookware

Consumers shop cookware carefully

Outlet:	% who shopped:	% who bought:
Discounters	25.8%	29.1%
K mart	11.8	13.2
Mass merchants	29.1	12.8
Sears	17.3	9.3
Montgomery Ward	7.3	2.2
J. C. Penney	4.5	1.3
Department stores	26.4	27.3
Catalog showrooms	4.5	3.5
Product specialty	6.4	5.7
Mail order	0.8	5.3
Grocery stores	1.8	5.7
Other	6.3	10.6

Source: *Chain Store Age*/Leo Shapiro & Associates

Four out of five shoppers looking to buy cookware this year will shop discounters, the Big 3 catalog chains and department stores, notes a recent *Chain Store Age*/Leo Shapiro & Associates study. Of that group, the Big 3 attracts the most (29.1%) while the remainder is almost equally divided between department stores and discounters. (See chart.)

However, the Big 3's market share is reduced to less than half when compared with where customers actually made purchases last year. Both the discounters and department stores picked up share to 29.1% and 27.3%, respectively.

Considering that cookware is a brand name business (57% said they would buy an advertised brand), and that the primary reason to shop a store is its low prices (32.2%) followed by quality (9.9%) and selection (9.2%), it is easy to understand these buying trends. Department stores and discounters carry a wider selection of cookware, often running them at sale prices that are unmatched in the Sears, J. C. Penney or Montgomery Ward catalogs. For example, Penney had Le Creuset sets and open stock, featuring the 4½-qt. covered round oven at $72 while Bloomingdale's carried it on sale at $49.95 reduced from $72. ☐

Name brands are a popular brew

One out of three customers shopping for coffeemakers this year are shopping price and 49.2% expect to spend less than $35, indicates a *Chain Store Age*/Leo Shapiro & Associates study. But more importantly, 2 out of every 5 shoppers say there was no particular reason why they shopped the stores they chose.

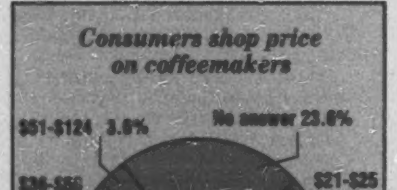
Brands, such as Mr. Coffee, Norelco and General Electric (the three most named brands respectively) could be drawing cards. Nearly 55% of those polled want an advertised brand.

However, these items don't necessarily have to be on sale to sell since 36.4% of last year's shoppers say they paid full price for their coffeemakers. Moreover, retailers may be able to move customers into better-margin name brand goods with the right saleshelp or display since there still is a large group (43.6%) who are not committed to any brand.

As expected, customers are shopping mostly discounters (47.1%) and mass merchants (29.9%). Perhaps they are glancing at coffeemakers as they do their other shopping at these one-stop retailers. Surprisingly, these outlets lose market share when it comes to where consumers are making their purchases. Discounters fall to 31.7% of the market and mass merchants to 15.8%.

Department stores and catalog showrooms gain at their expense. In fact, department stores shoot up from 2.9% of the shoppers to an astonishing 16.8% of the buyers. Catalog showrooms also show a tremendous jump from 2.9% of the shoppers to 14.9% of the buyers. ☐

Consumers shop price on coffeemakers



Source: *Chain Store Age*/Leo Shapiro & Associates

Majority buy microwaves on sale

Microwave shoppers want price, satisfaction and selection

Outlets:	% who shopped:	% who bought:
Discounters	9.4%	7.1%
K mart	2.9	2.2
Mass merchants	47.8	37.8
Sears	29.5	18.5
J. C. Penney	5.4	7.8
Montgomery Ward	12.9	10.9
Department stores	11.9	6.1
Product specialty stores	1.4	8.7
Appliance stores	21.5	22.4
Other	8.5	16.2

Source: *Chain Store Age*/Leo Shapiro & Associates

Nearly 2 out of 3 customers shopping for microwave ovens have decided on the brand they want, notes a *Chain Store Age*/Leo Shapiro & Associates study. Approximately 49% want an advertised name with Litton attracting the most, followed by Amana and General Electric tying for second place. Another 14.2% want a store brand, like Sears' Kenmore.

In fact, Sears alone attracts more shoppers (29.5%) than any other retail outlet. Consumers say they shop a store primarily for its low prices (32.8%); satisfied past visits (8.7%), and selection (8.2%) were the next most stated reasons. There is little change in where consumers shop and where they buy.

The majority (65.4%) who bought microwave ovens last year bought them on sale. This year's shoppers already have a feel for prices (only 14.2% had no idea as to price) and the majority expect to spend less than $399.

Still, 18.6% plan on paying $400 to $499 and another 15.2% expect the cost to be more than $500.

After a healthy boom, the exercise/health care industry seems to be in less than perfect shape. Speculation is that shoppers may have had their fill of fitness.

Slowdown due in health care/exercise?

Retailers who have increased square footage in anticipation of big sales may be disappointed.

Is the home health care/exercise equipment sales curve about to take a turn for the worse? A recent *Chain Store Age/ Better Homes & Gardens* survey indicates that shoppers may have already had their fill of many of these devices.

Health care and exercise equipment turned up in more American homes in 1984 than in 1983, according to surveys conducted in September of both years by *CSA/BH&G*. More than half of all American homes contained a heating pad, the most frequently found health care item surveyed. Nearly half also had a jump rope, the most popular form of exercise equipment. Both items, it might be noted, are also the least expensive of the 24 items surveyed, which might account for their ubiquitousness.

Of the 24 items, nearly all showed positive penetration into American households. In exercise equipment, however, fewer households reported owning a punching bag in 1984 than in '83—the only item of exercise equipment that dropped during the one-year period.

Some items increased notably. Gravity bars and boots and treadmills, for example, doubled their penetration into American homes. However, they still remained the least likely items of exercise equipment to be found. Home gyms, exercise mats, exercise bikes, weight benches and rowing machines also increased significantly.

That's the good news. The bad news is that retailers who have increased square footage and sku's in exercise equipment in anticipation of another hot year may be in for a disappointment. Customer interest in purchasing several types of exercise equipment may be on the wane, according to the survey.

Some of this may be attributable to the faddish nature both of the equipment and of exercise trends. Gravity bars and boots, last year's hot item, generate very little interest among customers now. Other items showing a dropoff in interest are punching bags, treadmills, exercise mats, trampolines, hand grips, dumbbells and jump ropes.

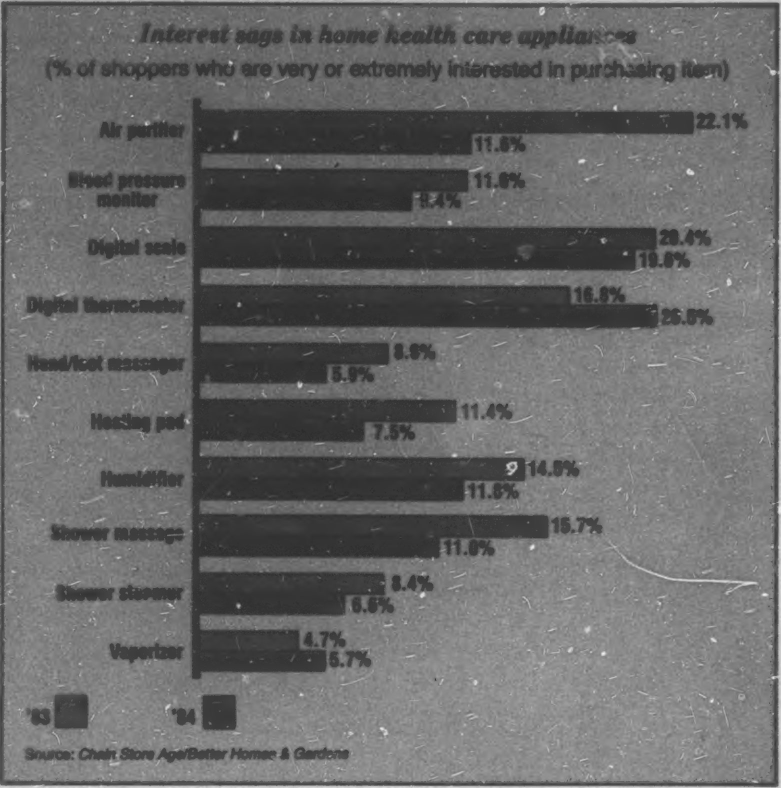
On the other hand, interest continues unabated for weight-training and stamina-building devices. More shoppers surveyed in 1984 indicated that they would be "very" or "extremely" interested in purchasing ankle and wrist weights, barbells, exercise bikes, a home gym or a rowing machine than in '83. About the same percentage of shoppers indicated interest in weight benches in '84 as in '83.

Most activity in exercise equipment is generated by shoppers aged 18-34, generally with high in-

Is exercise/health care market saturated?
(% of shoppers who already own item)

Item	1983	1984
[illegible]	[illegible]	[illegible]
Vaporizer	42.5	46.4
[illegible]	[illegible]	[illegible]
Humidifier	40.5	38.6
[illegible]	[illegible]	[illegible]
Blood pressure monitor	12.0	13.9
[illegible]	[illegible]	[illegible]
Digital scale	8.6	12.5
[illegible]	[illegible]	[illegible]
Shower steamer	3.2	3.8
[illegible]	[illegible]	[illegible]
Exercise bike	19.8	25.4
[illegible]	[illegible]	[illegible]
Weight bench	11.8	17.2
[illegible]	[illegible]	[illegible]
Exercise mat	9.3	13.9
[illegible]	[illegible]	[illegible]
Ankle/wrist weights	8.4	11.3
[illegible]	[illegible]	[illegible]
Home gym	3.2	7.1
[illegible]	[illegible]	[illegible]
Gravity bar/boots	1.1	2.1
[illegible]	[illegible]	[illegible]
Treadmill	0.2	1.4

Source: Chain Store Age/Better Homes & Gardens


Interest sags in home health care appliances
(% of shoppers who are very or extremely interested in purchasing item)

Source: Chain Store Age/Better Homes & Gardens

comes—the same as in the '83 survey. However, both rowing machines and weight benches sparked interest also among the 35-49-year-old set in the '84 study.

All of this indicates that there is still a need for retailers to carry exercise equipment in sporting goods departments. Retailers, however, should pay close attention to the types of items they carry. Interest in exercise equipment should continue to shift toward older customers as the fitness-oriented baby boomers grow older. These customers, though, appear to be more interested in maintaining health in the most efficient way and are less likely to pick up on faddish exercise trends than last year's exercise equipment shoppers. ☐

Bloom of health off health care?

Interest has waned in health care devices like air purifiers. Most popular are thermometers, vaporizers.

Do Americans feel they've gotten their fill of health-care devices? A survey conducted by *Chain Store Age/Better Homes & Gardens* indicates that retailers who have been building up this category may be in for hard times in 1985.

Of the 10 health-care items surveyed, slightly more households had them in '84 than did in '83, but sales should not be expected to increase significantly in '85. Fewer shoppers were "very" or "extremely" interested in purchasing health-care devices in the most recent study. Interest remained high only for digital thermometers and vaporizers. Not surprisingly, younger shoppers with children were the most likely to buy these items.

But for products like digital blood pressure monitors, the outlook is bleak. That is bad news to retailers like K mart which have eliminated the lower-priced (and harder-to-operate) sphygmomanometers in favor of $50-and-up electronic and electronic digital models. Slightly more than 1 in 10 households contains a blood pressure monitor, and slightly less than 10% of shoppers intend to purchase one next year—a drop from '83. The most likely buyers for blood pressure monitors, as for most of the other health-care products, are shoppers aged 35-49 with incomes over $35,000.

Shower massage attachments showed the biggest gain in the period from 1983-84, but they, too, may have peaked. While more than 4 in every 10 households surveyed contained a shower massage, only about 1 in 10 shoppers was interested in purchasing one next year.

The biggest disappointment is air purifiers. Not only did fewer households report owning one in '84 compared to '83, but only half as many shoppers in '84 as in '83 indicated interest in purchasing the product. Humidifiers, too, dropped in ownership and in shoppers' intention to buy. ☐

Send Your Love Around The World.
With one call, you can help give a needy child a brighter future.
Christian Children's Fund, Inc.
1-800-228-3966
(Toll Free)

tailers, giving them the shirts and designs they want, and we'll even use the retailers' label," says Harold Spann, a principal in the company, which is also offering pins, money clips and other memorabilia based on the foundation's logo.

Liberty headquarters: To help its licensees get retail distribution, Hamilton Projects is also working on a program which will allow stores to become official "Statue of Liberty Headquarters" sanctioned by the Ellis Island group. Under this program stores will be encouraged to pull together various types of licensed products into one section and will be provided with POP and other display materials incorporating the official logo of the committee.

"Retailers don't have to commit anything to us financially. Just by selling the merchandise they'll be benefiting the statue," says Stone of Hamilton Projects.

A company which specializes in preparing exhibitions for malls has also been signed by the Ellis Island group to generate excitement at the retail level with a presentation based on the book "In Search of Liberty." Resource Developers, based in Torrance, Calif., expects 1,000 malls around the country to use the exhibit, and the company is also providing banners, bunting flags and other merchandising aids to stores who want to get in on the mall festivities.

All of this retail activity will take place within the context of one of the largest public fund-raising campaigns in American history. According to the Ad Council, about $40 million in media time and space will be contributed to the statue restoration campaign in 1985.

"We already have some 20,000 clips of stories which have been published about the statue. Public awareness is very high," says a spokesman for the Ellis Island group.

Olympic memories: With so much momentum, the licensing of the Lady seems like a sure thing, unless buyers react cautiously to the concept because of the poor showing made last year by Olympic merchandise. Although retailers have yet to see most of the Liberty merchandise, at least one vendor says his sales force is cool to its own line because of bad memories about the Olympics.

But others are positive the concept will go, saying the Olympics, with all of its international politicking, left a bad taste.

"There's really a good feeling in the country now. It's O.K. to say you're proud to be an American, and the Statue of Liberty is a focal point for that feeling," says William Duryea, president of Resource Developers. □

Transformers switch into lead

The latest *CSA* poll shows character licenses to be surprisingly stable, despite position changes in the top 5.

Cabbage Patch Kids' licenses are hard to get, and are in great demand.

The supposedly topsy-turvey world of character licenses actually seems quite stable these days, judging by the latest *Chain Store Age* poll of toy buyers.

Five licenses still dominate the list of fastest growing properties. Their positions have changed from the last poll, with Transformers reaching the top after several months tied for third place.

If the top five seems like almost an old story by now, so does continuing buyer frustration at not being able to get enough of the precious five to meet demand.

"Cabbage Patch hot, hot—if you can get it," wrote one buyer, summing up the frustration of his colleagues.

The list of most rapidly declining licenses shows even less variation. Not only do the same five properties reappear on the list this month, but they rank in the same order.

The *CSA* survey is sent monthly to 100 toy buyers at department, discount, variety, catalog showroom, and toy specialty chains throughout the country. Responses from the latest poll, which reflect October's sales, were received from buyers representing some 2,600 stores. The number in parentheses indicates position in last month's poll. □

Showing most growth	*Showing most falloff*
1. Transformers (3)	1. Star Wars/Jedi (1)
2. Masters (2)	2. A Team (2)
3. Rainbow Brite (1)	3. Strawberry Shortcake (3)
4. Cabbage Patch (3)	4. Smurfs (4)
5. GoBots (3)	5. Shirttails (5)

Price cutting hurts 3rd quarter margins

The third quarter proved a mixed bag for the nation's general merchandise chains as unseasonably warm weather in many areas kept shoppers out of stores and precipitated a rash of price cutting which hurt gross margins.

High fashion retailers were hardest hit by the warm weather slowdown, which had its greatest effect on apparel sales. Dayton Hudson recorded its first-quarter earnings decline in three years as costs associated with merging the Dayton's and Hudson's divisions and pressure on department store margins caused earnings to dip 3%. Federated's earnings slumped 24% as modest sales gains failed to offset lower margins and expenses associated with opening its Mainstreet division.

Among chains tracked by *Chain Store Age*, Carter Hawley Hale appeared to be the quarter's most impressive performer. Operating income from continuing operations for CHH raced ahead 143%, while net income increased at a slower rate, 59%, because of costs associated with defense against the takeover bid by The Limited.

But even with those heady results, CHH remains a company with major problems. Third-quarter figures were compared against a weak quarter last year, and CHH's sales-to-operating income ratio is still a dangerously low 1.6%, compared with 6.1% at R. H. Macy and 6.5% at May Department Stores.

CHH has taken a more promotional stance, especially in California, where it is trying to keep pace with the likes of Macy's. The company is also striving to achieve a better balance of basic goods to fashion merchandise, but much remains to be done before CHH can be said to have successfully implemented these new strategies.

One company apparently in the midst of a strong rebound is F. W. Woolworth, which didn't let the intensely competitive environment in the third quarter keep its gross margin down. The company parlayed a 7.3% domestic sales increase with a full percentage point gain in gross margin to boost earnings 30%. Leading the way was the revitalized variety store division, whose sales jumped approximately 15%.

Profits lag in promotional 3rd quarter

	3rd Quarter (000 omitted)			Nine months (000 omitted)		
	1983	1984	% change	1983	1984	% change
Penney	94,000	101,000	+ 7.1	207,000	219,000	+ 5.8
Sears[2,4]	136,000	112,500	− 17.2	247,000	294,200	+ 19.1
Ward	2,000	(15,000)	—	(13,000)	(16,000)	—
Subtotal	231,000	198,500	− 14.4	441,000	497,200	+ 12.8
K mart	81,400	92,400	+ 13.5	243,700	294,000	+ 21.0
G. C. Murphy	4,788	4,339	− 9.4	11,105	11,229	+ 1.1
Rose's	3,885	3,648	− 6.2	11,744	13,151	+ 12.0
SCOA (Hills)	10,511	10,681	+ 1.6	13,939	14,290	+ 2.5
Wal-Mart	42,704	58,792	+ 37.7	111,882	161,390	+ 44.5
Woolworth[1,2]	20,000	26,000	+ 30.0	37,000	49,000	+ 32.4
Zayre	17,563	22,584	+ 28.7	33,116	45,620	+ 37.8
Subtotal	180,841	218,442	+ 20.8	462,385	588,519	+ 27.3
Allied	19,182	17,628	− 8.1	48,358	49,074	+ 1.5
Associated Dry Goods	14,290	15,933	+ 11.5	35,086	39,394	+ 12.2
Carter Hawley Hale[1]	5,071	9,012	+ 77.7	14,143	(5,443)	—
Dayton Hudson	44,585	43,172	− 3.2	108,290	116,075	+ 7.1
Federated[3]	55,400	42,300	− 23.6	139,000	113,200	− 18.6
May Co.	35,400	39,600	+ 11.9	86,000	104,100	+ 21.0
Mercantile	20,387	21,929	+ 7.5	44,725	48,314	+ 8.0
Subtotal	194,235	189,565	+ 2.4	471,222	459,314	− 2.5
Oshman's	865	456	− 89.7	183,277	104,391	+ 6.1
Toys "R" Us	6,061	10,279	+ 69.6	18,531	31,518	+ 70.1
Subtotal	6,926	10,735	+ 55.0	201,808	125,909	+ 80.3
The Gap	7,504	4,441	− 40.8	10,587	5,197	− 50.9
The Limited	20,970	28,385	+ 35.4	46,643	58,878	+ 26.2
Edison Bros.[1]	10,400	7,400	− 28.8	27,200	21,100	− 22.4
Subtotal	38,874	40,226	+ 3.5	84,430	85,174	+ 0.9
Syms	1,573	2,211	+ 40.6	5,587	6,972	+ 24.8
Clothes Time	638	829	+ 29.9	1,871	2,747	+ 46.8
Subtotal	2,211	3,040	+ 37.4	7,458	9,719	+ 30.3
Total	654,887	692,719	+ 5.8	1,666,831	1,766,836	+ 5.9

[1] Continuing operations only [2] Consolidated operations only [3] Excludes unusual items [4] U.S. merchandising only

Modernization pays off for Penney

Modernized J. C. Penney stores have successfully made up for lost volume from eliminated hard lines, notes chairman William Howell. The 33 stores modernized in 1984 had satisfactory sales increases—up about 10%—lower than the chain average due to lost sales caused by the remodeling disruption.

For the 40 stores modernized in '83, sales were up 19.8% in '84.

These stores are doing better than the chain average because '83 sales were low due to the modernization process. Approximately 33 more stores are slated for conversion this year. Howell says Penney could step up the pace to 50 or 60 stores a year, but because modernization does affect sales, he says, Penney prefers the slower pace.

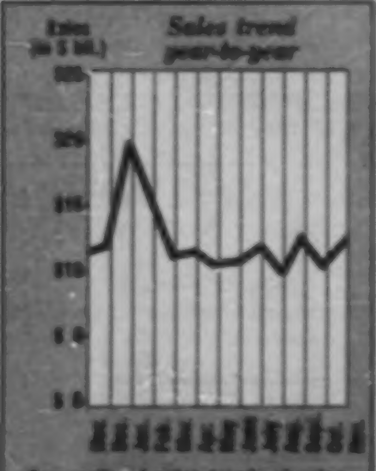
Sales for all other metro Penney stores were up 18.8% for '84.

November marks small sales gains

Heavy pre-Christmas markdowns gave consumers much to be thankful for in November, but the Thanksgiving feast was less than joyous for major retailers. The 25 chains tracked by *Chain Store Age* logged a 9.1% sales increase over November 1983, the smallest monthly gain this year. Figures for the 10-month-old fiscal year were up 11.2%.

Margin pressure in the final quarter has been so intense, according to some industry analysts, that December and January combined sales will have to come in 10% over last year just to keep profits even.

The Big 3 catalog chains lumbered into the Christmas season with less than spectacular results. Sears Canada posted a meager 1.0% increase, bringing combined United States-Canadian merchandise operations down to a 3.1% overall gain. Comparable-store figures for J. C. Penney climbed a modest 5.3%, while Montgomery Ward same-store results gained 1.4%.



Composite of sales trends showing month-to-month sales volume for the 25 retail companies tracked by CSA.

Among the department stores, Carter Hawley Hale led the pack, posting a 17.0% jump. Comparative-store figures were up 18.8% for CHH's department store division and 13.8% for specialty stores. Same-store results were up 8.6% at Mercantile, 5.1% for May Co. and 4.2% at R. H. Macy.

K mart continues to counter the trend. November's 16.7% increase marks the fifth consecutive month the discounter's monthly performance outpaced its year-to-date totals. Same-store results for K mart gained 12.5% for the month. Bentonville, Ark.-based Wal-Mart also saw November results ahead of its 10-month pace, posting a 38.8% jump. Comparable-store figures were up 18.0%.

Electronics specialists moved into the Christmas selling season with only modest gains. The Federated Group, a Commerce, Calif.-based 28 unit electronics "supermarket" operator, saw November sales up 40% over last November, but posted only 4% store-for-store gains. Tandy's United States Radio Shack division marked sales for the month even with last year.

Retailers not so thankful in November

		Nov. Sales*		Stores		10-mo. sales*		
Major chains	% change	1984	1983	1984	1983	1984	1983	% change
Sears	+ 3.1	2,080,628	2,017,460	879	898	18,549,000	17,544,536	+ 5.7
Penney	+ 5.7	1,161,000	1,099,000	2,059	2,099	9,305,000	8,290,000	[illegible]
Ward	+ 0.3	590,109	587,057	384	376	5,094,624	4,655,584	+ 9.0
Federated	+ 7.3	717,700	669,000	431	546	5,989,200	5,410,300	+ 10.7
Dayton Hudson	+ 12.5	680,965	605,162	1,149	1,003	5,600,277	4,913,484	[illegible]
May Dept. Stores	+ 9.0	462,100	424,000	1,774	1,502	3,590,000	3,170,000	+ 13.1
R. H. Macy	+ 6.6	394,100	369,500	96	92	3,233,400	2,888,500	+ 11.9
Allied Stores	+ 3.1	380,300	369,000	596	571	3,027,100	2,812,900	+ 7.6
Carter Hawley Hale	+ 17.0	363,900	311,100	258	256	2,666,400	2,300,000	+ 16.0
Associated Dry Goods	+ 9.2	387,600	356,500	332	355	3,055,000	2,678,000	+ 14.1
Mercantile	+ 5.7	170,981	161,690	79	85	1,287,548	1,216,235	+ 5.9
K mart	+ 16.7	1,779,694	1,524,536	2,174	2,167	15,999,300	14,476,195	+ 10.6
Woolworth	+ 1.6	456,334	449,250	NA	NA	4,395,442	4,185,903	+ 5.0
Wal-Mart	+ 38.8	715,000	515,000	751	645	5,042,000	3,635,000	+ 38.7
Household Merch.	+ 3.6	648,786	626,496	3,708	3,674	4,359,518	4,251,634	[illegible]
T.G. & Y.	− 8.7	171,007	187,227	754	831	1,560,130	1,552,600	+ 0.5
Zayre	+ 20.0	323,994	270,039	848	808	2,427,256	2,021,405	+ 20.1
Bradlees	+ 8.1	133,000	123,000	132	127	1,047,000	873,007	+ 19.9
Murphy	+ 2.6	79,130	77,150	386	407	703,705	678,058	+ 3.8
Rose's	+ 6.9	108,830	101,832	195	207	721,292	649,045	+ 11.1
Heck's	+ 7.7	46,000	42,700	126	122	374,500	349,200	+ 7.2
Jamesway	+ 21.3	47,344	39,021	85	78	362,540	322,584	+ 12.5
Melville	+ 8.1	390,027	363,695	5,934	5,703	3,691,037	3,232,463	+ 14.2
Tandy	N.C.	258,285	258,194	NA	NA	1,676,756	1,650,400	+ 1.7
Edison Bros.	− 10.0	76,109	84,600	2,327	2,186	863,077	821,981	+ 5.0
The Gap	+ 4.6	42,900	41,000	625	570	387,000	352,000	[illegible]
Total & Averages	+ 9.1	12,029,743	11,026,999	—	—	103,210,301	92,811,811	+ 11.2

*000 omitted. N.C. = no change. NA = not available.
[illegible]

Macy's earnings streak sidelined

After 32 consecutive quarters of earnings increases, R. H. Macy Co. suffered a setback in the first quarter of fiscal 1985. After a "marginally" disappointing November, chairman and ceo Edward Finkelstein predicts only modest increases in the second quarter, which includes Christmas.

Unlike other retailers, Macy's cannot attribute the slump to high inventory levels. On a store-for-store basis, inventories are up only 9% over '83, one of the lower figures in the industry. Macy's has been gradually reducing inventory since last January, anticipating a slowdown, and the reduced inventory position, Finkelstein feels, puts Macy's in a better position for second-quarter profits.

Capital spending for fiscal '85 has been doubled, to $300 million. Half will go toward new projects (Texas, New Orleans) and half to remodeling.

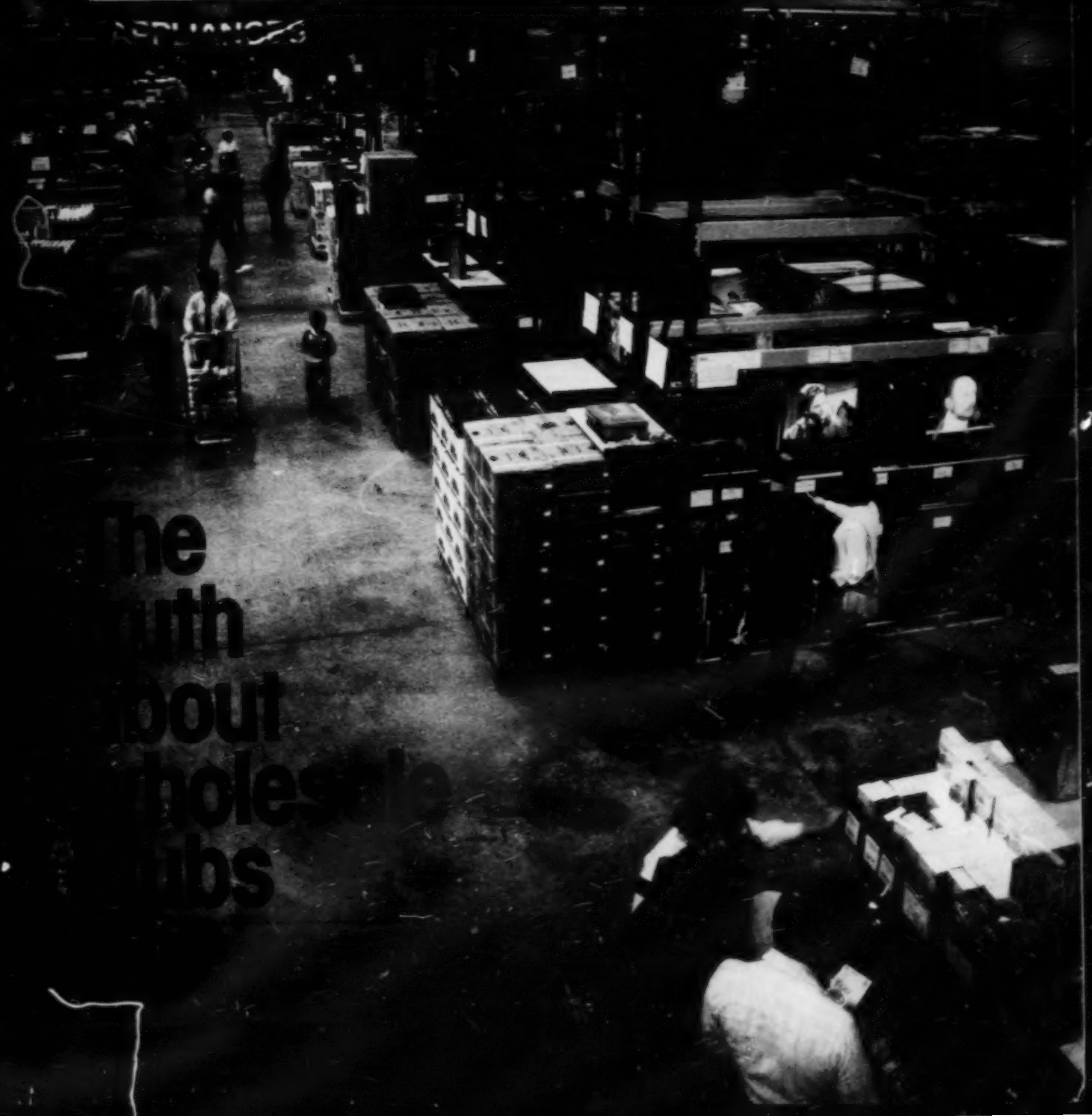
C5150-7

Board games: Are they all trivial?

Back to school: supplying the computer

Age

GENERAL MERCHANDISE TRENDS February 1985



The truth about wholesale clubs

CONTENTS

Vol. 61, No. 2 February 1985

Feature phones and long distance services are reported on this month in Consumer Electronics 73

Industry News

What Sol Price hasn't said about warehousing 43
New York exports: Peaceful coexistence 50
Always room for Macy's? 51
Bloomingdale's success: unique merchandise 53
New challenges for Ward minus Pistner 56
Shopping patterns: Discounters get consumers' votes 65
Best/Worst of '84: VCRs fast forward for '85 68
Advertising strategy: The biggest bang for the buck 71
Washington Viewpoint 167
Pennington on planning 169

Consumer Electronics

Can K mart make Atari take off? 76
CE MarkeTrends: blank video tapes, home computers, TVs 80

Housewares

Boston area merchants in a housewares showdown 93
Housewares MarkeTrends: microwave cookware, fans, blow dryers 99

Toys

The year of the bear in plush 109
Trivia breathes life into board games 113
Is there life after Trivial Pursuit? 114
Licensed games are more than just a name 123
Parker Bros. plays the game 124
Toy survey: Shoppers want quality and price 130

Licensing

Board games are a new license vehicle 145
Stingy Santa hurt licensed products 148

Stationery

New attitudes help spur back to school spending 149
BTS buyers look to computer supplies 152
Imported paper trims BTS losses 154

Photo/Camera

Halley's Comet zooms, telescopes boom 159

Classified Mart 163

CHAIN STORE AGE General Merchandise Trends (ISSN 0193-1350) is published monthly by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Retailers: $12 a year; three years, $32. Wholesalers, manufacturers, schools, libraries and all others: $20 a year. Foreign subscriptions: Airmail only, $100 a year. Single copy rate $2. Second Class postage paid at New York, N.Y., and at additional mailing offices. Vol. 61, No. 2. Copyright © 1985 by Lebhar-Friedman Inc. All rights reserved.
ALL CORRESPONDENCE should be addressed to Executive Offices, Chain Store Age General Merchandise Trends, 425 Park Ave., New York, N.Y. 10022. For a change of address, six weeks notice to Circulation Fulfillment Director, 99 Park Ave., New York, N.Y. 10157, is requested. Give old and new address and zip code. If possible enclose address portion from cover on previous issue. Postmaster: Please send address changes to Chain Store Age, General Merchandise Trends, Subscription Dept., 99 Park Ave., New York, N.Y. 10157. Member Audit Bureau of Circulations, Second Class Mail Publications Inc., and Magazine Publishers Association.
Copyright © 1985 by Lebhar-Friedman Inc.

Discount stores received high mentions from a coveted, upscale demographic group as the place to purchase a variety of hard and soft line goods.

Discounters get consumers' votes

This may be the year of the discount store.

A comparison of responses from identical consumer surveys conducted by *Chain Store Age/Better Homes & Gardens* over the last two years shows that consumers dramatically increased their mentions of discount stores as the type of outlet in which they would make a wide range of hard lines and soft lines purchases.

Of 27 areas studied, discount stores received significantly higher mentions for 18, while slipping in just one. By comparison, consumers gave department stores higher numbers in just four categories and lower figures in five. Specialty stores had a plus-three and a minus-six score.

CSA/BH&G conducted the surveys in August of the last two years. Respondents were chosen from a projectable cross section of *BH&G's* subscriber base. For the '84 survey, 423 households responded. For '83, 416 did.

The sample represents a population that, while different from the

Discounters poised for market share gains

	Dept. store		Discount store		Sears		Penney		Ward		Specialty store		Catalog showroom		Variety store	
	'84	'83	'84	'83	'84	'83	'84	'83	'84	'83	'84	'83	'84	'83	'84	'83
Consumer Electronics	[illegible]	8.7%	28.0%	22.9%	4.9%	4.6%	3.3%	0.9%	0.9%	0.8%	47.1%	44.8%	4.1%	3.8%	1.9%	1.8%
Housewares	17.5	10.7	48.2	43.9	5.4	4.8	2.1	1.7	1.2	1.0	8.5	6.8	4.8	7.2	7.6	7.7
Stationery	15.5	10.4	38.5	27.2	0.8	—	0.2	0.5	—	—	34.9	35.1	—	0.2	11.3	14.4
Books	9.9	6.6	38.1	14.2	0.5	—	0.2	—	—	—	55.0	65.8	—	—	4.8	4.1
Giftware/ novelties	21.5	24.2	28.9	16.4	0.7	—	0.5	1.8	0.2	0.5	30.9	37.7	3.1	4.8	8.7	8.8
Health & beauty aids	15.5	13.9	31.5	48.9	0.7	0.2	0.2	—	0.5	—	7.5	10.3	0.2	—	10.2	8.4
Cosmetics	28.5	42.7	26.5	23.8	0.7	0.2	1.2	0.5	—	0.2	7.5	7.8	0.2	0.7	4.7	9.8
Fragrances	[illegible]	52.9	25.8	21.2	0.8	—	1.4	1.2	—	0.2	5.2	5.8	0.5	0.7	3.3	5.8
Luggage	32.3	32.8	24.1	16.7	5.4	4.6	0.2	0.2	1.4	1.4	3.8	10.8	16.4	16.8	3.5	1.9
Furniture	16.3	16.3	3.1	3.6	5.4	5.3	0.7	0.7	1.4	1.2	62.9	66.7	2.8	2.9	0.2	0.7
Domestics	34.1	29.8	30.1	12.5	7.3	6.5	3.5	0.5	1.2	1.8	23.8	37.5	1.4	0.7	3.1	2.6
Hardware	3.5	5.9	22.2	10.9	11.9	16.5	—	0.2	0.2	0.7	47.8	48.8	0.7	0.2	4.9	4.8
Paint	4.5	2.4	10.4	15.4	10.6	25.5	0.2	0.2	1.7	3.4	64.9	43.4	0.5	0.2	3.5	2.8
Auto parts	3.1	3.4	20.8	22.8	3.5	13.9	0.2	0.3	0.5	0.7	48.8	46.6	—	—	2.8	3.4
Sewing needs	19.9	13.2	23.3	10.8	1.4	3.1	0.7	1.4	0.5	0.2	40.5	40.3	0.2	—	10.2	10.1
Major appliances	5.9	8.1	3.5	0.8	20.8	20.8	0.7	1.4	4.3	2.4	30.3	23.7	1.9	4.1	0.8	—
Carpeting	9.9	12.7	6.4	3.4	7.6	6.8	0.7	0.7	0.9	0.5	66.2	66.7	0.7	1.4	0.5	0.2
Toys	12.8	11.1	46.4	40.5	7.5	2.4	0.9	[illegible]	0.5	1.0	10.6	20.8	3.5	2.6	5.9	8.5
Hobby/ crafts	7.3	4.6	24.5	22.4	1.2	0.2	—	[illegible]	0.5	—	50.5	58.2	0.7	0.2	[illegible]	7.2
Garden furniture	25.1	16.6	30.7	31.3	6.4	5.8	3.1	2.2	2.1	2.2	15.8	27.4	4.8	3.2	1.4	1.9
Garden supplies	9.5	7.8	42.8	40.2	5.6	7.8	0.3	0.5	0.8	1.0	23.1	28.8	1.4	0.7	7.1	5.8
Women's wear	37.6	40.5	12.5	12.4	5.8	4.8	7.8	8.7	1.1	1.8	9.2	10.7	—	—	1.4	1.4
Men's wear	38.8	40.5	11.8	11.8	6.2	7.8	10.5	13.5	[illegible]	1.8	5.5	8.3	—	—	1.1	1.0
Children's wear	32.5	28.3	30.2	17.8	8.8	12.1	12.8	17.8	1.2	2.0	3.1	4.1	—	—	1.2	1.1
Women's accessories	38.8	53.1	10.5	10.3	0.5	1.7	4.3	2.4	0.5	0.5	7.1	7.3	0.6	1.2	2.8	3.4
Men's accessories	40.7	60.3	17.7	10.8	1.5	2.0	4.3	3.4	0.5	0.7	5.8	8.2	0.7	1.0	2.8	3.1
Jewelry	37.6	27.4	10.9	7.8	1.4	1.4	1.5	1.4	0.2	—	38.8	43.3	5.4	7.7	1.6	1.7

Source: Chain Store Age/Better Homes & Gardens national demographic breakout, is nonetheless a highly coveted audience. BH&G readers are more upscale than the national average. Their mean income is $34,576 compared to $23,610 for all United States family households.

Aside from the pure increase in discount store mentions by households responding to the survey, a deeper look at the numbers reveals that the discount segment has remarkable strength among highly prized demographic groupings.

For example, the overall gain for housewares of just over 5% was more than doubled for the 18-34-year-old subgroup and for households earning over $35,000 a year.

The discount stores' improved ratings came even in categories that have been traditional specialty store havens. Specialty stores showed a decline in books of nearly 10%, a fall-off that was across all age groups. Meanwhile, discount stores had more than a 6% increase in consumers aged 35-49, college graduates and all income levels.

Perhaps most indicative of a possible shift in purchase patterns are the responses for cosmetics, accessories and jewelry. These traditionally powerhouse department store categories experienced erosion in all but the jewelry area, while discount stores increased their mentions across the board.

One area that discounters failed to dent department and specialty stores was consumer electronics. The consumer electronics score reflected in the chart is a compilation of five specific products (computers, computer software, video games, video game cartridges and records) and an overall consumer electronics listing.

For the most part, apparel scores remained stable. The area with the most changes was children's wear. Department stores had higher mentions while Sears and Penney came in with lower scores. Thirteen items comprised the children's wear category: boy's/girls' pants/slacks, jeans, tops, boys' socks, boys' underwear, girls' hosiery, girls' coats/jackets, infants' tops, infants' bottoms and infants' coats/jackets.

For women's wear the survey included dresses, hosiery, blouses, sweaters, jeans and lingerie.

Men's wear included a dress shirt, a polo shirt, slacks, jeans, sweater, dress socks and underwear. ☐

Some retailers predict that the hottest items of '84 will not top the charts in '85—except VCRs, which win all votes.

VCRs fast forward for '85

Video cassette recorders are superstars. Transformers, Trivial Pursuit, and even Cabbage Patch Kids are merely stars that probably reached their peaks last year.

Those are some of the conclusions of an exclusive *Chain Store Age* poll of merchandise managers. Asked to pick the hottest and most disappointing products of 1984, and to predict what they expected to be the hottest in 1985, the merchants overwhelmingly endorsed VCRs as the item of the past and future.

Merchants feel the Cabbage Patch Kids craze will wane in '85.

Fully half of the respondents, representing department, discount and variety stores, ranked VCRs as the second best product of '84 and the No. 1 prospect for '85.

The group was more sanguine about Cabbage Patch Kids' long-term superstar quality. While 60% rated the homely faced dolls as the best movers in '84, only 20% thought they had enough legs to continue to jump off the shelves this year at a record pace.

Similarly, the merchandise managers changed their views on Transformers, 30% rating them highly in '84 but just 15% doing so for '85.

Transformers at least rated mentions for '85. Trivial Pursuit failed to receive one listing after capturing 35% of the vote for '84.

Of course, much as the merchandise managers would like to be considered the acknowledged "experts," even they are humble enough to admit their shortcomings. Said a retailer from Maxway discount stores, "Everything would be unpredictable at this time."

In planning for 1985, retailers are tempering their enthusiasm with the reality of 1984. "In all, it was a fairly satisfying year, and we'll react next year by trying to get by with less inventory, like everybody else," said one merchant.

In the nation's breadbasket, Pamida, a discount store chain, "expects 1985 to be a difficult year. The Federal deficit and new tax law uncertainty, combined with continued pressure on the farm economy, dictates caution."

What is making the business so unpredictable is the fact that items are the fuel that drives sales. From Ivey's-Carolina came the lament, "Part of the retailer's problem in 1984—not enough items."

Added another, "The whole business is becoming more and more an item business—must get on board quickly, fight for limited goods and know when to back off."

Items, items everywhere: So, what are the items expected by merchandise managers to pace sales this year? After VCRs, the choices are far from unanimous.

Three products pulled 20% of the votes: Cabbage Patch Kids, home computers and exerci

Supers jump into movie rental market

The question of where the movie rental business will settle once it grows large enough to be considered a mass market business may be answered by supermarkets.

Although general merchandisers, especially those which sell video hardware, would seem natural outlets for movie rentals, supermarkets have taken an early lead in this category. As early as two years ago Safeway and Kroger, the nation's two largest supermarket chains, installed rental centers in selected combination food and general merchandise stores on the West Coast and in the Southwest.

Now Pathmark, a major Northeastern chain, has rolled out what may quickly become the most extensive entry into the movie rental business by a mass market chain. Thirty Pathmark stores in New Jersey, New York and Connecticut opened Video Movie Rental Centers last year and more openings are scheduled for 1985.

The stores are surprisingly well-stocked with a wide variety of movies. Each center contains about 500 movies in categories ranging from contemporary to foreign to children's to classics.

Not surprisingly, Pathmark's program is also competitively priced. The rental fee is just $1.99 a day, which is on the low side for movie rentals in the Greater New York market. Perhaps more important, however, is that Pathmark requires no club membership fee to rent movies. Patrons need merely leave a credit card voucher on file. That compares favorably with most video clubs in the area which have yearly fees ranging from $25 to $75.

One major objection to the rental business in mass market outlets is that it requires a great deal of service. Pathmark has solved that problem by locating its centers at its photo counters, which are usually staffed from 8 a.m. to 9 p.m. on weekdays.

Software shifts to educate adults

Children's educational software will show the number of software titles which are targeted to preschool and grade school children dropping from 70% of the market last year to 50% in 1990, according to Venture Development Corporation. The Wellesley, Mass.-based market research firm further predicts that software designed for high school and middle/junior high school students will take on increasing importance.

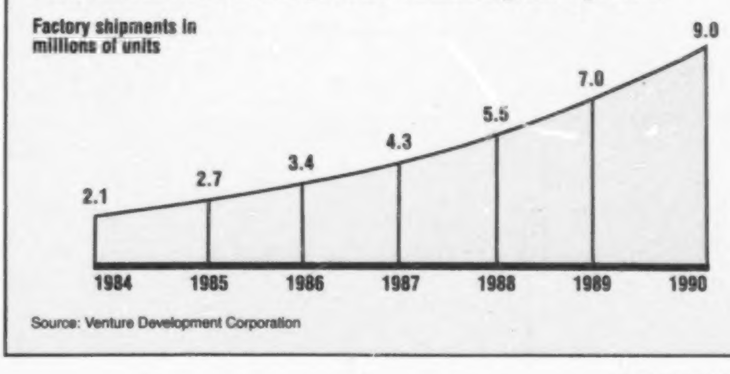
Venture Development also expects the adult-oriented educational software, including job related training and general enrichment programs, will increase in importance, accounting for almost 35% of 1990 shipments.

Factory shipments of educational software will increase from 2.1 million units in 1984 to nine million in 1990, according to the market researchers. Venture Development anticipates the factory value of educational software will grow from $42.2 million last year to $211.5 million in five years.

Commenting on 1984's less than expected sales for home computer software, the market research firm says: "The spectacular sales growth which characterized educational software in 1982 and 1983 has reached a plateau for a variety of reasons. A cooling down of home computer hardware sales is one major factor. Price sensitivity is another."

"With almost 10,000 educational software titles available," says Venture Development, "parents can be overwhelmed when it comes to making a selection, particularly when so many are unexciting drill and practice programs."

Educational software to grow 27% annually through 1990



Source: Venture Development Corporation

Computers say goodby to B'way

When The Broadway Southern California totals its fiscal year-end inventory this month, the count should confirm the Carter Hawley Hale department store chain's exit from both computers and software. The Broadway moved out its last Commodore 64 below cost at $133 the week before Christmas, and similar price cuts for personal computers and software in January have probably cleared remaining inventory. According to a store source, the buyer for the category moved over to cookware last fall.

The Los Angeles-based department store's exit culminates a year of missteps in both categories. Either unable to close deals with Apple and IBM, or unwilling to meet their conditions, The Broadway placed its bets on Franklin and Zenith computers instead. Sales for the Zenith micro never took off, and when Franklin moved into Chapter 11 its sales nosedived, according to the store source.

In software, The Broadway bet heavily on Atari, and as hardware sales leveled, software failed to take off. At presstime it was unclear what would fill the department's newly cleared space.

Blank video tapes to lead in '85

The top three consumer electronics products in the next year, according to *Chain Store Age* MarkeTrends research, will be blank video tapes, telephones and video cassette recorders. Televisions rank a close fourth.

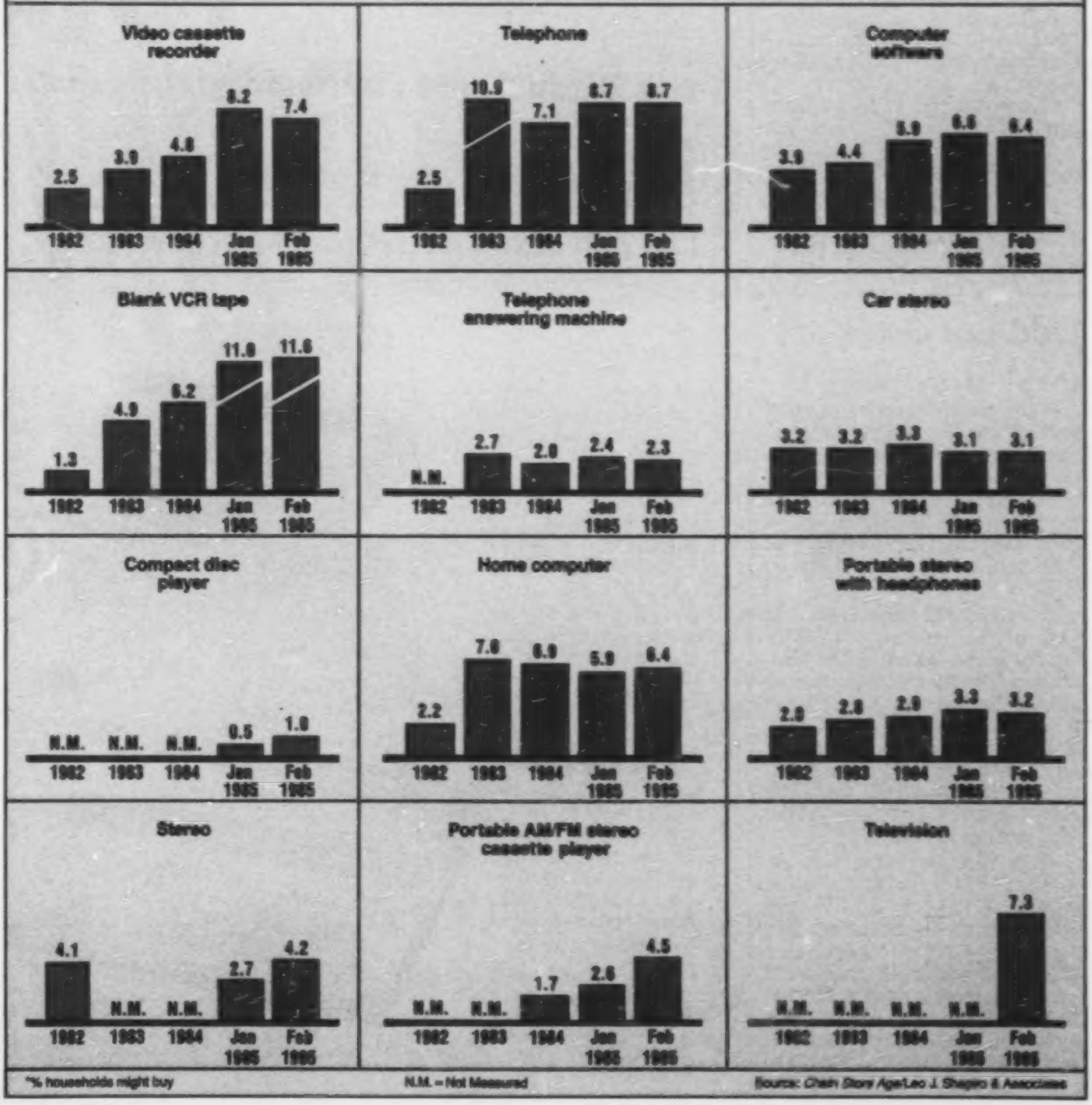
The sales boom in video cassette recorders, however, may be showing signs of leveling off. For the first time in four years of study, the number of consumers who report they intend to buy a VCR in the next 12 months is less than the previous reading.

Although the 0.8% drop is well within the realm of statistical error, it was a similar 0.1% decrease in 1984 that successfully predicted the leveling in consumer interest for home computers.

In contrast, the surge in consumer buying intentions for blank video tapes continues unabated. In the February survey, nearly twice as many report they intend to buy blank tapes than the number who expected to buy as recently as last August.

Interest in telephones remains at the same high level measured last month, but well below the extraordinarily high levels reported immediately before the breakup of AT&T. Still, both January and February readings are well above last summer's slight dip in interest. ☐

Consumer Buying Intentions*



*% households might buy

N.M. = Not Measured

Source: *Chain Store Age*/Leo J. Shapiro & Associates

Blank video tape brand loyalty wavers

Consumer interest in blank video tapes continues on an upward swing. According to *CSA MarkeTrends*, 11.6% of those surveyed intend to buy blank tapes in the next year. Last month the figure stood at 11%.

If sales of VCRs themselves have actually peaked (as so far indicated by this month's measurements), experience shows that sales for blank video tapes will also level by mid- to late-summer. The VCR results, however, are extremely preliminary, and caution should be exercised in interpreting them.

Meanwhile, the battle for market share is heating up as consumer brand allegiances are unstable. Last August the top three preferred brands were Scotch, Maxell and Memorex. Only six months later Sony is at the top of the list, chosen by 14.2% of those surveyed, followed by TDK with 10.2% and Scotch at 9.9%.

Though only 1 in 20 of those interviewed (5.8%) say that brand doesn't make a difference when it comes to video tapes, the number of respondents who claim they definitely or almost definitely want their chosen brand has declined from 46.3% in last summer's survey to 38.3% in the February poll.

The most recent MarkeTrends survey suggests that while prospective blank video tape buyers have decided in favor of brand names, they do not perceive any differences among the major players. ☐

Consumers show no real brand loyalty for blank VCR tapes

	February 1985	August 1984
[illegible]	[illegible]	[illegible]
Sony	14.2	6.8
TDK	10.2	[illegible]
Scotch	9.9	22.4
Maxell	[illegible]	[illegible]
Memorex	7.2	8.1
RCA	[illegible]	[illegible]
Store brand	5.9	4.4
Polaroid	[illegible]	[illegible]
Other	18.7	23.9

N.M. – Not measured
Source: *Chain Store Age*/Leo J. Shapiro & Assoc.

Brand, price big in home computers

Consumer interest in owning a home computer is holding steady.

Computers proved a disappointment for many retailers last year, but according to *CSA MarkeTrends* consumers still express high interest in owning a home unit. In the February survey 6.4% say they expect to buy a computer in 1985. This compares with the 7% who intended to buy in the December 1983 study and 6.9% in the August 1984 poll.

What has changed is how much consumers expect to pay, what brands they intend to buy, and where they will purchase a home computer.

As recently as last August, the median price consumers expected to pay for a home unit stood at $700. Only six months later that figure has jumped to $1,000. Consumers express the greatest interest in the $1,000-$2,000 price range with about 3 out of 10 (29.2%) responding this is what they intend to spend. Another 15% say they expect to pay over $2,000.

When it comes to brand, consumers have narrowed the players to three: Commodore, Apple and IBM. More than 3 out of 4 (75.6%) prospective computer buyers cite one of the top manufacturers. Commodore still leads the list as the choice of 27.5% of those polled, followed by Apple at 26.9% and IBM with 21.2%.

Atari, which was the choice of 6.6% of prospective home computer buyers in the August 1984 study, was not mentioned by a single respondent in the current survey.

Though consumers appear sure of what they intend to buy and how much they expect to spend, they also show greater uncertainty over where they intend to make their purchase.

Perhaps reflecting the general unavailability of both Apple and IBM products in the retail outlets consumers are most familiar with, almost half (49.6%) do not answer when asked where they will make their computer purchase. This compares with 35.6% who did not respond in the August survey.

Consumers also appear unsure how they will use their computers once they buy them. Though home use outnumbers business use by a 3 to 1 margin, 76.7% do not answer when asked what function their home unit will fulfill. ☐

Home computer market moves to high-end

How much do you expect to pay for your next home computer?

	August 1984	February 1985
Under $100	2.0%	0.9%
$100-$199	[illegible]	2.7
$200-$299	10.5	5.3
$300-$499	[illegible]	[illegible]
$500-$999	20.4	12.4
$1,000-$2,000	[illegible]	[illegible]
Over $2,000	9.5	15.6
Not answering	[illegible]	[illegible]

Source: *Chain Store Age*/Leo J. Shapiro & Associates

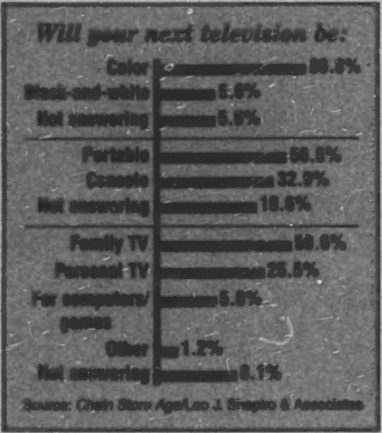
TVs: Remotes out, portables in

The television consumers intend to buy in the next year will be a color portable used primarily for family viewing, according to *CSA* MarkeTrends. On the average consumers expect to spend $537.

Even though the typical household already owns an average 2.2 TVs (1.8 are color sets), 7.3% in the February study expect to buy yet another television in the next year.

Color sets will outsell black-and-white models by about a 16 to 1 margin. Prospective television buyers also expect to buy nearly twice as many portables as consoles.

While 39.1% of households report owning a TV that is used primarily for personal viewing, 25.5% of the consumers expect to buy sets for single-person use. Almost 3 out of 5 households (59.6%) say the sets to be bought in 1985 will be used for family viewing.



Source: Chain Store Age/Leo J. Shapiro & Associates

Zenith is the preferred brand, mentioned by 28.9% of those polled. RCA comes in second with 20.2%, followed by Sony at 17.5%.

When asked how much they want their chosen brand, consumers show more loyalty to TVs than to any other consumer electronics product ever studied by *CSA*. A full 40.5% report they definitely want their stated brand.

One surprising result in the February poll shows that consumers do *not* expect to buy televisions with remote control. Of those with a preference, about twice as many prospective TV buyers will purchase sets without remote devices. ☐

TVs adapting to the changing picture

Here's one of those intriguing numbers that makes its way across your desk from time to time. Preliminary results from *Chain Store Age* MarkeTrends research indicates that about 1 out of every 10 homes in the United States has a television which is used primarily with either a home computer or an electronic game machine.

From this information alone, it's tempting to predict that the potential market for computer- or game machine-dedicated televisions is anywhere from one to about seven million units annually. Perhaps buoyed by similar research results, at least one major television manufacturer has introduced a model which switches between the normal broadcast signal and the high resolution required for computing.

But take a closer look behind the statistics and a different picture emerges. Our preliminary MarkeTrends figures also show that only 1 in 50 prospective television customers expect to *buy* a TV dedicated primarily to computing or game playing. What appears to be happening in the marketplace is that consumers are replacing the family television set and relegating the old set to game playing and computing.

The purpose of this exercise is neither to knock the computer monitor/broadcast signal sets nor to shake your confidence in statistics. Rather it is to illustrate the complexities of new undercurrents in marketing and merchandising televisions.

At one time, selling televisions was pretty straightforward. There was the black-and-white set in the living room where the family gathered to watch programs broadcast by a local station. Then came color, followed by cable, MTV, stereo, video cassette recorders, video discs, monitors, video game machines, home computers, remote control, under counter models, projection models, portables and even pocket models.

Once all it took to piece together a television assortment was a knowledge of the brands consumers demanded and the price they could afford to pay. Today a successful retailer must also know: who is going to view the set; in what room will the customer watch it; will the set be tuned to broadcast or off-air services, and (as in our example above) will a new set be purchased to fill a new function or will a hand-me-down do just as well.

Retailers must now have a strong handle on what prospective customers expect of the television they intend to buy. Being strongly assorted in family-viewing televisions will be of little help if what consumers are shopping for are TVs intended for personal viewing, and *vice versa*.

Traditionally, television assortments have often been built in a triangle: brand names that consumers expect to find, at least one promotional line, and a top-of-the-line where higher margins can be maintained. To that traditional mix, retailers must now add the features that changing television viewing habits dictate.

That's where *CSA* MarkeTrends comes in. With about three televisions in every household already, TVs have become almost as ubiquitous as radios. And like radios, the models and features consumers want change with where they expect to use each set and for what purpose.

This month's MarkeTrends takes a close look at televisions. I am sure you will find some of the results surprising, others reassuring. In the coming months, we'll take an even more detailed look at the specific television features consumers expect in the TVs they'll buy in the next year.

—Rick Gallagher

Shopper intensity stable in February

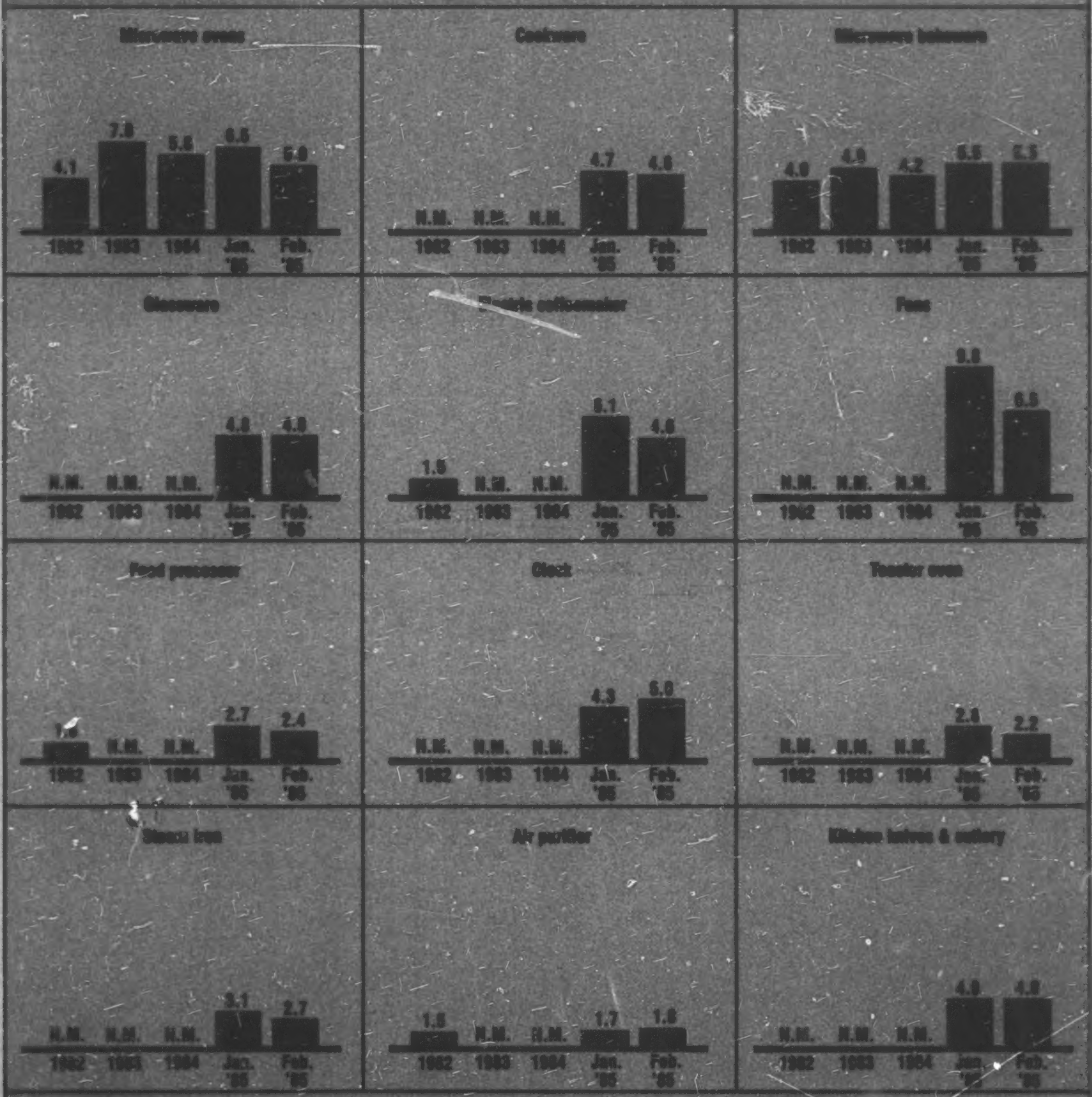
At first glance the housewares market may be in for rough times, according to the latest *CSA* Housewares MarkeTrends. However, a closer look at the numbers reveals that while there may be some reason for nailbiting, all is not as dire as one might think.

The reason for initial pessimism is that 7 of the 12 items studied monthly by *CSA* and Leo J. Shapiro and Associates have lower consumer buying intentions for February than they did for January. Indeed, only clocks and air purifiers improved their ratings over the previous month.

However, a review of shopper intensity, that is, how aggressively consumers are shopping for the 12 specific products, reveals that there is no change for 11 items. Only food processors came in with lower shopping intensity.

The housewares market is not as volatile as it is for consumer electronics. Of the 12 electronics items studied, shopper intensity was stronger for five items, weaker for six and stable for just one. ☐

*Consumer Buying Intentions**



*% households might buy

N.M.—Not Measured

Source: Chain Store Age/Leo J. Shapiro & Associates

PL vs. branded microwave cookware

Consumers slightly favor Corning for microwave cookware over private labels

Corning	21.7%
Store brand	18.6%
Anchor Hocking	4.8%
G.E.	4.2%
Pyrex	4.2%
Nordic Ware	2.5
Litton	2.5%
Revere	1.7%
Ekco	1.7%
Unspecified name brand	20.4%
Other	16.9%
Not answering	1.0%

Source: Chain Store Age/Leo J. Shapiro & Associates

Nearly 1 out of 5 consumers may be ready to purchase private label microwave cookware, according to the latest *CSA* Housewares MarkeTrends report. But strong marketing could shift them to advertised brands.

Eighteen per cent of the households expressing a specific brand preference chose a store brand compared to 22% who opted for the most popular name brand, Corning.

The challenge to branded and private label marketers can be seen in the way consumers responded to the brand question. To the overall inquiry, "What brand would you buy," 71.5% had no brand preference. Clearly marketers have failed to imprint their messages in consumers' minds.

From the 29.5% subgroup who gave a specific brand response, further analysis revealed that store brands received high initial support. But asked how strongly they felt that this is the brand they want, consumers began to waver. On a scale of 1-9, with 9 being "definitely want," consumers gave store brands only a 6.10 mean score. Those who mentioned an advertised brand gave a more firm 6.75 response. Store brand supporters thus appear more vulnerable to marketing efforts by branded resources.

Consumer education also would appear to be a smart move in light of the total sample's indifference to brand preference and the apparent low skill shoppers say they have when looking for microwave cookware.

Asked to rate "how good a shopper do you feel you are," microwave cookware shoppers rated themselves just 6.36 (9 is outstanding), while blow dryer shoppers said 6.60 and electric fan shoppers said 7.21.

When they are looking for microwave cookware, 19% of those naming a store would go to Sears, 18% to a department store, 14% to K mart, 16% to a different discount store, 12% Montgomery Ward and 5% to J. C. Penney. Previous purchases show a different representation: Sears dropped to 11%, department stores slipped to 16%, K mart dipped to 10%, other discounters zoomed ahead to 21%, Ward nosedived to 7% and Penney nearly doubled to 9%. □

Commodity status for blow dryers

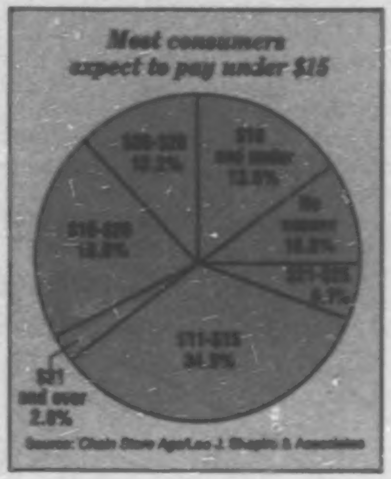
When it comes to blow dryers, marketers would do well to remember that the majority of consumers view the item as a commodity. As such, price and convenient location are the prime reasons consumers choose a store.

CSA's Housewares MarkeTrends study reveals that 38.1% of the respondents picked price/discount to describe their store choice. The only other double digit mention, at 13.5%, was location/convenient.

Both reasons are key strategies of discount stores and, indeed, discounters are the most frequently named stores where consumers would shop and have purchased blow dryers.

Fifteen per cent said they would go to K mart. Another 26% would go to other discounters. Sears and Montgomery Ward received 16% and 12%, respectively, while department stores had 7% and catalog showrooms 6%. Another indication of the commodity nature of blow dryers was the 6% vote given to drug stores, plus the 2% for supermarkets.

Actual past purchases transpired thusly: 12% K mart, 24% other discounters, 7% Sears, 5% Ward, 3% J. C. Penney, 14% department stores, 13% drug stores, 8% catalog showrooms and 2% supermarkets.


Most consumers expect to pay under $15

Source: Chain Store Age/Leo J. Shapiro & Associates

The higher number achieved by department stores shows that a higher priced market than the one found in discount stores does exist. While the median price expectation by consumers is just $15, a sizable 15% of the market will pay at least $26, according to *CSA* MarkeTrends. □

Fan market turns to ceiling units

Fan shoppers uncertain as to why they would choose a store

Price/discount	12.1%
Selection	1.9%
Quality	1.5%
Location/convenient	5.7%
Credit	0.4%
Service/repair/guarantee	1.8%
Other	1.2%
Not answering	78.4%

Source: Chain Store Age/Leo J. Shapiro & Associates

The electric fan market has hit the ceiling: a majority of consumers prefer a ceiling fan to circulate air.

Asked in the latest *CSA* House-

Shoppers seek quality at best price

Price is very important to toy shoppers, judging by where they shop and by how much they are willing to spend. But for the second year in a row, the largest group of shoppers (almost 75%) thought quality was the most important reason for choosing a place to buy toys.

In the *Chain Store Age/Better Homes & Gardens* survey of toy shoppers in 1984, however, nearly as many shoppers (73.1%) thought low everyday prices were also very important in determining where they shopped. Top shoppers, like most other shoppers today, have apparently become conditioned to a high degree of promotion. Specials and sales also influenced where they shopped in 1984, and more shoppers in '84 rated frequent sales as a very important reason for shopping where they did.

Despite this, shoppers were still most likely to head for a discount store to buy toys in '84—even more likely than in '83. Discount stores, which carry toys year-round but lack the space and depth of assortment of toy specialists, have been particularly hard pressed this year to maintain stocks of fast-moving items. The fact that they offer one-stop shopping is apparently not an important factor in their supremacy in the survey. The ability to buy more than toys when toy shopping was rated very important by less than one-fourth of all surveyed.

Shoppers consider price and quality very important*

Reason	1984	1983
Quality products	74.9%	[illegible]
Low everyday prices	73.1	72.9
Selection	69.1	69.7
Easy returns	67.8	61.6
Specials/sales	66.4	67.1
In-stock	64.1	61.8
[illegible] service	54.8	54.6
Past experience	53.7	46.9
Convenient location	48.6	39.9
Fast checkout	45.2	37.5
Frequent sales	42.6	36.2
Unique toys	34.0	34.6
[illegible]	23.6	23.5
Sell more than toys	22.3	18.1
Ambience	21.6	18.4
Other	1.9	1.3

Totals add up to more than 100% due to multiple responses.
*% of shoppers who rate these qualities very important
Source: *Chain Store Age/Better Homes & Gardens*

While discounters may still be on top, toy specialists, particularly toy supermarkets, gained some fans between '83 and '84. (Percentages listed for '84 in the chart include multiple responses, while '83 responses are first-choice only.)

In '83, it was the younger group of customers, those aged 18-34, who shopped toy supermarkets and specialists most often. In '84, customers aged 35-49 were the most likely to shop toy specialists, while the 18-34 group was still more loyal to toy supers.

MAKE BIG PROFITS IN SMALL TREES!

My Christmas Tree
GIFT IDEA

My Christmas Tree is 11" high and full-color decorated. Easy to assemble, it comes with a wrap-around, silver garland and mini tree skirt. Gift-boxed and priced to sell for $3.00 or less. Ideal for table tops and other small spaces. Call or write for details.

UNION WADDING COMPANY
Serving The Industry Since 1771
P.O. Box 906, Pawtucket, R.I. 02862 (401) 725-3600

Discounters' strength in '84 apparently came from the younger 18-34 group, while the older customers were more frequent shoppers of discounters in '83. In both years, customers in households of four or more were the biggest fans of both discounters and toy supermarkets.

While shoppers in '84 said they paid slightly more on average for a toy, they are apparently buying fewer toys, as annual expenditures for toys did not rise accordingly. The largest group of shoppers in both the '83 and '84 surveys said they paid between $10 and $14.99 on average for a toy. Fewer shoppers in '84 paid under $5. Slightly more '84 shoppers paid between $15 and $19.99 or over $20.

In '84, slightly more shoppers spent under $50 annually on toys than in '83—about one-fourth of those surveyed. Those paying $50-$99.99 remained about the same over the one-year period, while fewer shoppers paid between $100 and $149.99 in '84 than in '83. Slightly more '84 shoppers paid between $150 and $199.99 for toys annually, and about one-fourth of all shoppers in '84 as well as '83 paid over $200.

Shoppers still head for discounters to buy toys*

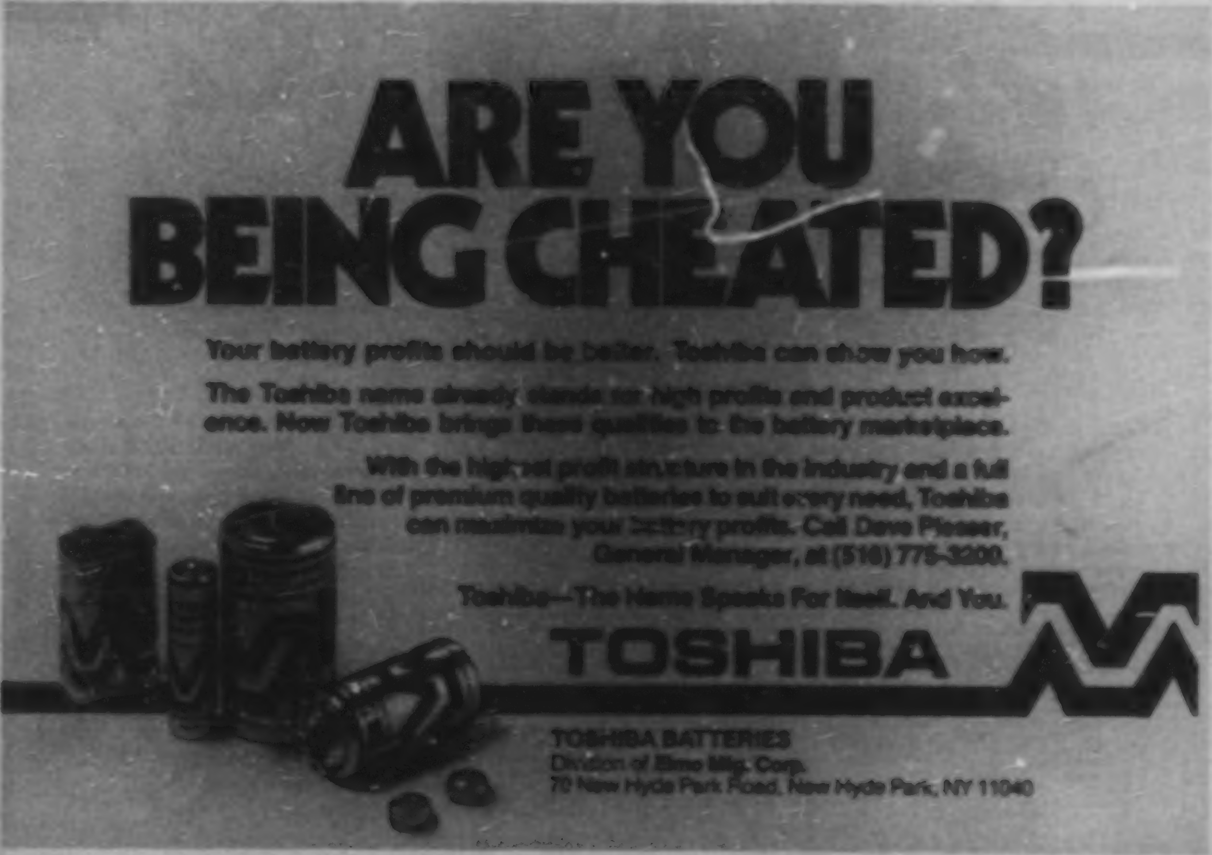
Type of store	1983	1984**
Discounter	58.5%	58.4%
Dept. store	12.7	12.8
Toy specialist	14.1	41.2
Sears/Penney/Ward	1.6	18.1
Variety store	0.7	7.3
Drug store	0.2	2.8
Other	1.6	11.8
Don't buy toys	10.6	11.5
Don't know	1.8	1.2

*1st choice store
**Multiple mentions
Source: Chain Store Age/[illegible]

Larger households were most likely to spend the most on toys in both surveys. The major difference: less than half as many four-person households in '84 spent under $50 on toys than in '83, and many more spent between $200-$350. Since these households are most likely to shop discounters and toy supermarkets, those chains were best positioned to pick up any gains in business in 1984. Toys "R" Us, for example, experienced record Christmas sales, but because of the highly promotional nature of the toy business this year and a slowdown in video games and home computers, sales were below plan.

Even though shoppers aren't spending more, they are somewhat happier with prices today. Slightly more than three-quarters of all shoppers rated toy prices "too high" in '84. That's an alarming percentage, but is less than the 8 in 10 who voted toys too high-priced in '83. Slightly more '84 shoppers felt toy prices were "acceptable" than in the '83 survey.

Shoppers apparently feel they are getting more for their money today, too. More than half of the '84 shoppers rated toy quality as good or excellent, up 10% from the '83 survey. More of those surveyed in '84 thought toy quality was better than 10 years ago, and fewer thought it was worse, than the shoppers surveyed in 1983. ☐



ARE YOU BEING CHEATED?

Your battery profits should be better. Toshiba can show you how.

The Toshiba name already stands for high profits and product excellence. Now Toshiba brings these qualities to the battery marketplace.

With the highest profit structure in the industry and a full line of premium quality batteries to suit every need, Toshiba can maximize your battery profits. Call Dave Plesser, General Manager, at (516) 775-3200.

Toshiba—The Name Speaks For Itself. And You.

TOSHIBA

TOSHIBA BATTERIES
Division of Elmo Mfg. Corp.
70 New Hyde Park Road, New Hyde Park, NY 11040

Ewoks™ DROIDS™ LICENSEES

Apparel/Accessories
Adam Joseph Industries (415) 552-5400
Charleston Hosiery Mills (513) 321-3050
Lee Company, a Division of
Lee Byron Corp. (212) 244-4440
Reyman/Ridlow Products (212) 947-6040
Sales Corporation of America
(415) 896-0707
Stride-Rite Footwear, Inc. (617) 491-4800
Underoos, A Division of Union Underwear
Company, Inc. (502) 781-6400
Unipriron, A Division of Union Underwear
Company, Inc. (502) 781-6400
Wilker Brothers Company, Inc.
(212) 564-7690

Food Products/Promotions
Coca-Cola USA (404) 676-2121
Kellogg Company (616) 966-2000

Home Textiles
The Bibb Company (212) 354-6300

Housewares
Deka Plastics, Inc. (201) 351-0900
Thermos, a Household International Co.
(408) 747-2700
King-Seeley Thermos Company
(203) 887-1671
Wallpapers-To-Go, Inc. (415) 785-7150
Wilton Enterprises, Inc. (312) 963-7100

Publishing and Music
Ballantine Books (212) 751-2600
Disneyland-Buena Vista Records
(818) 840-1000
Marvel Comics Group (212) 696-0808
Paradise Press (203) 838-5484
Polygram Records (212) 399-7100
Random House, Inc. (212) 751-2600

Stationery and Gift
Adam Joseph Industries (415) 552-5400
American Publishing Corporation
(617) 926-1800
Drawing Board Greeting Cards, Inc.
(214) 638-4800
Random House, Inc. (212) 751-2600
Sales Corporation of America
(415) 896-0707
Stuart Hall Company, Inc. (816) 221-8480
Topps Chewing Gum, Inc. (212) 768-8900
Towle/Sigma Giftware Corporation
(617) 569-6807

Toy and Juvenile Products
American Toy & Furniture Company, Inc.
(312) 271-2600
Ben Cooper, Inc. (212) 499-7025
Bradley Time Co. (212) 243-0800
Brookfield Athletic Shoe Company, Inc.
(617) 867-7406
CBS Toys (201) 330-3000
Don Post Studios, Inc. (818) 768-0811
Fundimensions (313) 949-4100
Huffy Corporation (513) 866-6251
Kenner Products (513) 579-4000
Parker Brothers (617) 927-7600
Spectra Star Kites (818) 897-2979

Miscellaneous
Atari Games, Inc. (408) 262-4490
Comdial Consumer
Communications Corp. (212) 319-0890
The McCall Pattern Company
(212) 880-2600
Oral-B Laboratories (415) 856-5000

er and tracker of the toy industry says that sales for Monopoly through the first three quarters of 1984 "appear very strong," and manufacturers say the game's high recognition factor is a big plus.

"The game is part of American culture and its symbols are immediately recognizable," says Joe Klein, director of marketing at Ingrid in North Chicago. "The 50th anniversary celebration Parker Bros. is planning for the game will pull the licensing together nicely."

A Macy's Float: That celebration will include Monopoly tournaments, a float in the Macy's Thanksgiving Day Parade, sweepstakes and a stepped-up ad schedule. At least 11 manufacturers will attempt to tap interest generated by those events with products ranging from housewares to stationery to apparel.

"We're limiting the program to adult-oriented, better quality products," says Alan Gordon, director of licensing for General Mills Marketing and Design.

Ingrid's line will include ice buckets and pitchers bearing the waterworks symbol from the game. American Greetings, which holds the license for stationery products, will offer gift wrap, telephone address books and greeting cards. Nexus, a Wabash, Ind., company, will sell knit tops silkscreened with various symbols from the game.

"So many licenses are targeted at the children's market, that we decided to go with the Monopoly program because we think that with its adult orientation it will round out our line," says Joe O'Brien, director of product development at American Greetings. ☐

Stingy Santa hurts licensed products

In the most recent *CSA* poll, buyers report all licensed toy sales dropped off last November.

Although the same five licenses continue to inhabit the *Chain Store Age* list of fastest growing properties, buyers responding to the latest poll reported that sales in general fell off rapidly heading into Christmas.

"All licensed toy sales dropped off in November, mainly during the last part of the month," wrote a buyer from one discount store chain in what turned out to be an accurate barometer of the entire Christmas selling season.

Sales of licensed items fall off into the Christmas season.

The sales falloff was reflected in the number of licenses which received any mention at all from buyers. Increasingly, sales seem to be centering around the top five, with only two other properties, Care Bears and Super Heros, receiving any mentions this month.

The list of most rapidly declining licenses also remained virtually unchanged for the month of November. The list has just one addition, Knight Rider.

The *Chain Store Age* survey goes out to 100 toy buyers at discount, department, specialty and variety store chains. Numbers in parentheses indicate licenses' positions on last month's chart.

Showing most gains:
1. Cabbage Patch (4)
2. Gobots (5)
3. Rainbow Brite (3)
4. Transformers (1)
5. Masters of Universe (2)

Showing most falloff:
1. Jedi/Star Wars (1)
2. Smurfs (4)
3. A Team (2)
4. Strawberry Shortcake (4)
5. Knight Rider

NEW ATTITUDES HELP SPUR BTS

SPENDING

The baby boomers' attitudes about how much they are willing to spend on preparing their children for school are making retailers very happy in the BTS market.

The boomlet created by the baby boom generation seems about to produce a dramatic impact on the market for back-to-school merchandise. Not only is the number of school age children rising rapidly, but parents' attitudes about how much they are willing to spend to prepare their children for school are changing in ways that will bring smiles to retailers' faces.

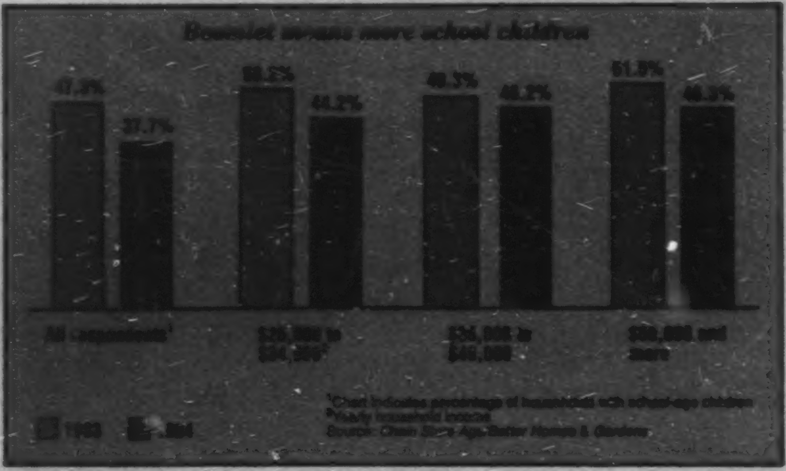
In just one year the number of families reporting school age children rose 27%, according to a survey by *Chain Store Age* and *Better Homes & Gardens* magazine. More than 47% of those taking part in this year's survey said they had children in school, compared with 37.7% in last year's survey.

The survey was taken of a panel of 485 consumers who are readers of *Better Homes & Gardens*. Although as a group these consumers have a slightly higher household income than the national average, most of the conclusions, which can be drawn from the survey, including those about changing attitudes of parents, are based on a comparison with a survey taken a year earlier of the same type of consumer.

Today's parent: More important than simply documenting the rise in the number of school age children, the survey sketches a picture of today's parent—an individual who is older than his counterpart of several years ago, better educated, more affluent, and, most important, more willing to spend money on his children.

The survey showed that the average age of the parent has risen in just one year, no doubt as more baby boomers, after having delayed parenting, start to build families. According to the survey, 71.2% of those parents with school age children are now between the ages of 35

Today's parent, at all income levels, is spending more on back to school supplies.



¹Chart indicates percentage of households with school-age children
²Yearly household income
Source: Chain Store Age/Better Homes & Gardens

and 49, compared with just 60% which fell into that age group in the previous year's survey.

This older parent is clearly good news for retailers because he is also generally a more affluent parent, one better established in his career, as the poll points out. More than 50% of those with yearly family incomes of $50,000 or more now have school age children. That is a 9% gain over the finding in the previous survey.

With that kind of increase in the number of parents at the more affluent end of the spectrum, it is not surprising that the poll found parents willing to spend more than ever before on their children. The average amount of money that those surveyed doled out on BTS merchandise last year was $307.29. Those earning more than $50,000 a year spent about one and a half times that much, $456.56.

New attitudes: Particularly noteworthy about the responses to this section of the survey was the way they seemed to indicate new attitudes on the part of parents toward their children. In general, parents in all income classes said they were more willing to spend more on their children's BTS needs than parents in the same income categories a year ago. Consider these findings:

- In the 1983 survey, just 2.7% of those making more than $50,000 a year said they were going to spend $1,000 or more on BTS. In this year's survey a whopping 18% intended to dole out at least $1,000.
- In 1983 just 1.8% of those with household incomes of between $35,000 and $50,000 spent $1,000 or more. The next year 9.3% spent at least that much.
- Even households with incomes between $25,000 and $35,000 a year participated in the boom. An impressive 7.2% of these households reported spending at least $1,000 on BTS merchandise, compared with a paltry 1.6% in 1983.

It wasn't just in the rarefied atmosphere of $1,000 or more that differences were apparent. Even the number of parents willing to spend at least $400 rose considerably, from just 14.4% in 1983 to 21.5% in the following survey.

Buying patterns: Although this new parent may be older and more affluent, he isn't about to alter his buying patterns much. The survey found that traditional BTS categories still get roughly the same percentage of spending that they used to receive. Only a few product categories which don't account for much of the school market seemed in danger of losing much share.

January, the second BTS season, continues to generate business.

Parents spend more on BTS

BTS $$$	All respondents		$25,000-$34,999*		$35,000-$50,000*		$50,000 or more*	
	1983	1984	1983	1984	1983	1984	1983	1984
Under $100	11.4%	16.9%	5.7%	13.8%	1.3%	9.3%	2.7%	4.0%
$100-$199	20.3	24.6	30.3	26.1	27.6	17.0	21.6	14.0
$200-$299	25.9	22.9	29.3	24.2	36.0	25.0	35.2	32.0
$300-$399	14.6	14.6	16.3	17.0	17.5	10.5	16.2	18.0
$400-$499	6.4	6.5	4.9	8.5	6.3	9.3	10.8	12.0
$500-$599	3.6	3.6	4.1	3.3	2.8	4.0	—	2.0
$600-$699	2.5	1.8	2.4	2.0	2.5	1.9	5.4	2.0
$700-$999	1.0	3.0	1.0	3.5	2.5	4.7	5.4	4.0
$1,000 or more	1.2	6.0	1.6	7.2	2.5	9.3	2.7	18.0
Don't know/ no answer	1.2	0.0	0.0	0.0	1.3	0.0	0.0	0.0

*Yearly household income
Source: Chain Store Age/Better Homes & Gardens

Apparel remained by far the most important category, accounting for 56% of BTS purchases this year, compared with 56.1% in 1983. The affluent parent, however, isn't likely to spend a larger share of BTS cash on apparel than those with more modest incomes.

Shoes remained the second most important category. They accounted for about 19% of spending, compared with 21% last year.

The boom in BTS may not extend itself to school supplies. Although the category remains third in terms of percentage of total expenditures, its share slipped from 12.4% in 1983 to 10.9% in 1984, and parents at all income levels indicated they would spend less in the category this year.

What must be particularly disturbing to the stationery buyer is that nearly 71% of those surveyed said they allocated 10% or less, that is, only $30 or less, to school supplies. Clearly, the low margin, highly competitive nature of the paper, notebook and writing instrument market is not about to change soon.

Several other categories showed significant declines in their share of the BTS dollar. Most notable was consumer electronics. Although it gained 3.6% of spending back in 1983, last year's share dropped to a dismal 0.36%. That poor showing was in part due to steep drops in the price of calculators, a key electronics school item, but was also attributable to the failure of the home computer and its software to emerge as a truly significant part of the school market. ☐

Sales lacking holiday spirit

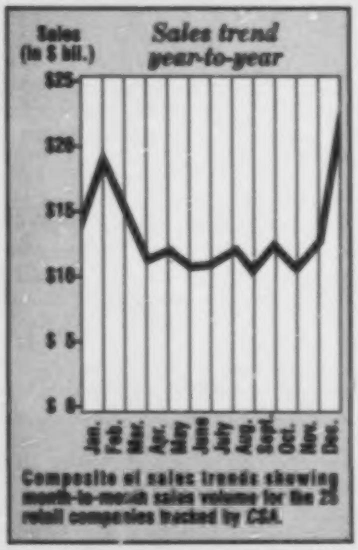
A last minute spending spree in the three days immediately before Christmas saved major retailers from a holiday disaster, but heavy markdowns plagued the season. Earnings for the fourth quarter will be below plan for most retailers, with some posting decreases.

The 25 chains tracked by *Chain Store Age* marked December sales 9.5% above last year. Volume for the near complete 11-month-old fiscal year stands 10.9% ahead of 1983.

J. C. Penney led the Big 3 catalog chains, with sales up 6.8% for the month. Sears posted a modest 4.7% gain, while Montgomery Ward reported sales even with last December.

Amid a lackluster month, though, the department stores turned in the best overall sales gains. Carter Hawley Hale marked sales up 15% for December, May Department Stores gained 11% and Federated 10.3%.

If there was bad news at Christmas, it didn't hit K mart. The nation's second largest retailer saw volume jump 17.1% overall and 12.4% on a store-for-store basis. Wal-Mart recorded a 33% sales increase for the month and same-store results up, 11%. December marked the first time in recent memory that K mart's comparable-store results outpaced Wal-Mart.



Composite of sales trends showing month-to-month sales volume for the 25 retail companies tracked by CSA.

Christmas sales not so jolly

		Dec. Sales*		Stores		11-mo. sales*		
Major chains	% change	1984	1983	1984	1983	1984	1983	% change
Sears[1,6]	+ 4.7	3,425,211	3,272,035	873	807	21,974,820	20,816,571	+ 5.6
Penney	+ 6.8	2,275,000	2,130,000	2,014	2,032	11,660,000	10,370,000	+12.4
Ward[1]	+ 0.1	1,026,619	1,025,422	366	375	6,121,243	5,681,005	+ 7.7
Federated[5]	+ 9.5	1,444,700	1,319,300	451	546	7,434,300	6,729,600	+10.5
Dayton Hudson	+15.8	1,468,105	1,267,543	1,143	1,083	7,149,013	6,181,027	+15.7
May Dept. Stores	+10.5	861,900	777,700	1,839	1,559	4,449,200	3,950,300	+12.6
R. H. Macy	+10.6	827,100	748,100	96	93	4,060,500	3,636,600	+ 8.9
Allied Stores	+ 4.9	707,900	674,700	600	572	3,735,400	3,447,600	+11.7
Carter Hawley Hale	+15.0	716,500	623,200	268	243	3,582,500	3,012,000	+18.9
Associated Dry Goods	+ 8.7	747,400	687,300	333	331	3,802,000	3,365,000	+13.0
Mercantile	+ 6.9	317,299	296,802	79	85	1,604,847	1,513,037	+ 6.1
K mart[7]	+17.1	3,585,604	3,063,122	2,174	2,167	19,584,904	17,533,317	+11.7
Woolworth	+ 3.4	971,111	939,247	N/A	N/A	5,366,560	5,125,149	+ 4.7
Wal-Mart	+33.0	932,000	701,000	752	645	5,974,000	4,336,000	+37.8
Household Merch.[2,3]	+ 0.9	682,625	676,669	3,674	3,843	5,042,428	4,936,367	+ 2.2
T.G. & Y.	+ 6.7	354,441	332,104	743	812	1,914,500	1,884,792	+ 1.6
Zayre[4]	+16.2	547,846	471,540	848	750	2,975,702	2,493,025	+19.4
Bradlees	+11.2	278,000	250,000	132	127	1,325,000	1,123,000	+18.0
Murphy	− 0.7	151,263	152,294	385	406	855,048	822,352	+ 4.0
Rose's	+ 8.9	154,946	142,340	195	245	876,238	790,108	+10.9
Heck's	+ 1.8	67,500	66,300	126	122	442,100	421,059	+ 5.0
Jamesway	+12.0	85,921	76,706	85	78	448,801	399,209	+12.4
Melville	+ 9.8	718,714	654,620	5,911	5,747	4,191,262	3,701,534	+13.2
Tandy	− 0.2	414,275	415,065	N/A	N/A	1,491,034	1,473,469	+ 1.2
Edison Bros.	−10.5	128,600	143,700	2,327	2,166	991,677	965,681	+ 2.7
The Gap	+ 7.3	105,600	98,400	628	569	493,400	451,000	+ 9.4
Total & Averages	+ 9.5	22,641,743	20,673,105	—	—	125,631,977	113,314,010	+10.9

*000 omitted. N.C. = no change. N/A = not available.
[1] Store number for full-line outlets only. [2] Includes 2,745 franchise stores (vs. 2,819 a year ago). [3] Includes Von's and T.G. & Y. sales. [4] Includes 290 Zayre stores (vs. 275 a year ago), 402 Hit or Miss stores (vs. 357) and 156 T. J. Maxx stores (vs. 118). [5] Excludes supermarket sales. [6] Includes results from Sears Canada. [7] Store count includes K mart stores only.

Sears to pose threat to banks

Sears will be a competitive threat to banks in 1990, according to an Egon Zehnder survey of 2,235 ceos of all commercial banks in the United States with assets over $100 million. The Atlanta, Ga.-based management consultant firm's poll shows that the bankers consider Sears the most respected nonbank competitor for the future.

Fully 93% of the ceos said that Sears would be a major competitive threat to their markets in 1990, compared with 83% who cited Merrill Lynch and 77% who answered American Express.

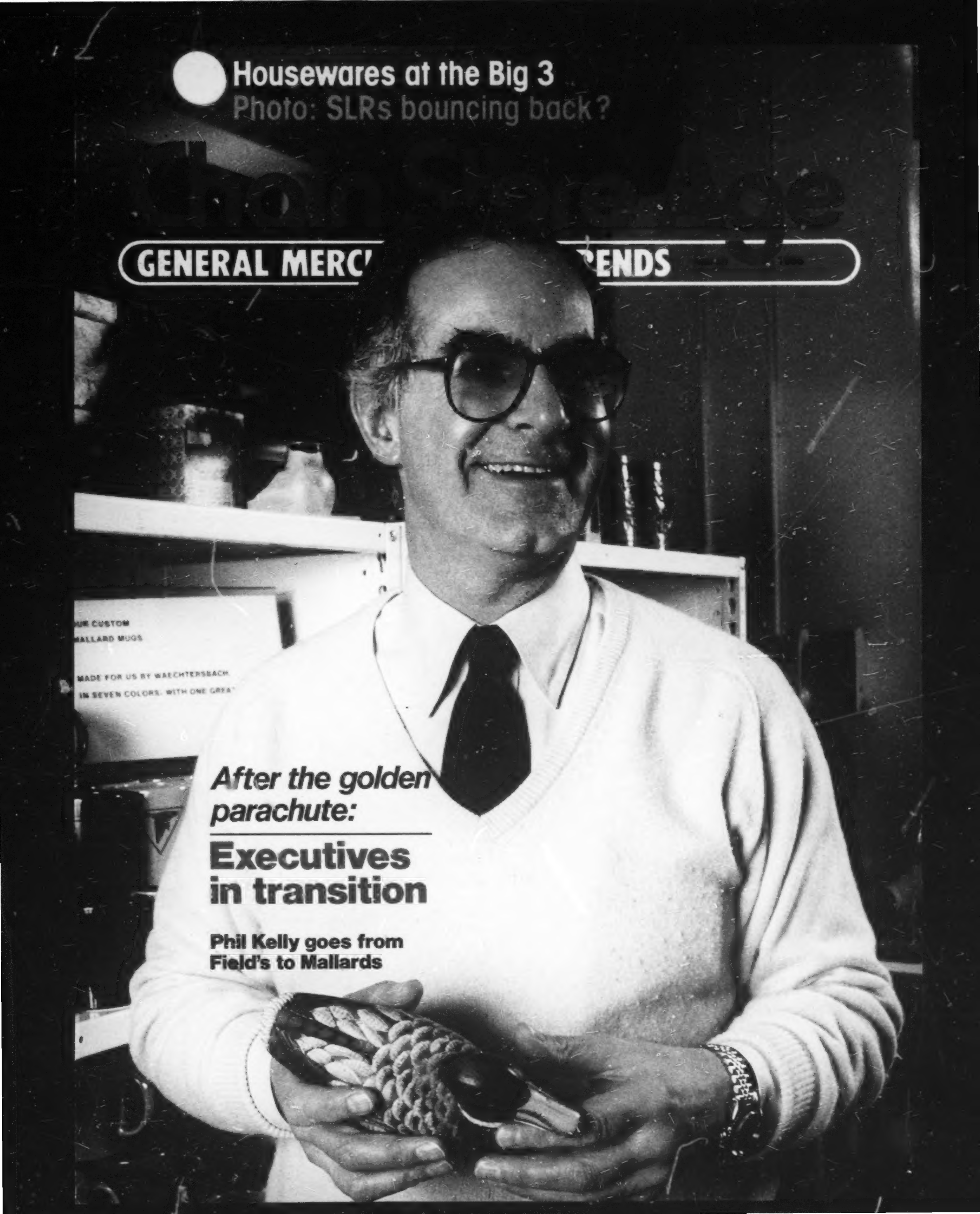
K mart, which was not mentioned by a single ceo in last year's poll, jumped to sixth place with 24%, behind Prudential-Bache at 38% and E. F. Hutton at 27%.

Strong December aids Weiboldt

While other retailers struggled to meet sales plans for December, Weiboldt Stores exceeded plan by 45%.

The Chicago-based retailer posted a 17.5% increase to $36.5 million. The increase came without benefit of new stores. Weiboldt operates 13 moderately priced department stores.

The chain is in the midst of a turnaround. David C. Keller, pres./ceo, predicts losses for the year will be reduced to about $1.5 million vs. $3.5 million in '83.


GENERAL MERC
ENDS
OUR CUSTOM
MALLARD MUGS
MADE FOR US BY WAECHTERSBACH
IN SEVEN COLORS. WITH ONE GREAT

Housewares at the Big 3

Photo: SLRs bouncing back?

After the golden parachute:

Executives in transition

Phil Kelly goes from Field's to Mallards

CONTENTS

Home offices grow by at least 9%, attracting young professionals 108

Industry News

Executives face the challenges of transition 15
Dillard's makes a difference in St. Louis 18
Waldenbooks goes beyond low prices. 21
Pricing strategies: Chains press vendors for lower prices 22
Promotional strategies: Selling the executive elite 25

Consumer Electronics

Fashion takes a stand on the boom box. 27
Electronic keyboards make sweet music 31
CE MarkeTrends: Headphone and home stereos, phone answerers. 39

Housewares

Big 3 housewares update 47
Blowing the whistle on tea kettles 51
Gourmet picnics offer tasty returns 61
Thermal carafes warm up housewares 62
The gas grill: more gadgets in '85. 65
Electronic wizardry to spark sales. 66
Housewares MarkeTrends: clocks, food processors and steam irons 68

Home Textiles

A hard (and soft) look at windows 77
Eeny, meeny, mini, micro-blinds 78
Diversity a must in drapery hardware. 79
Altman's bullish on Select At Home 80

Toys

Ride-on toy buyers jockeying for right mix. 83
Hasbro's urge to merge puts quality first. 84
Etch A Sketch traces product's success 86

Licensing

Sports licenses are steady, not flashy 89
Shortages still plague top licenses 91

Photo/Camera

SLR's: Tentative talk of growth. 93
Autofocus sales seem nearly automatic 97
Smaller labs may mean larger profits 103

Classified Mart 112

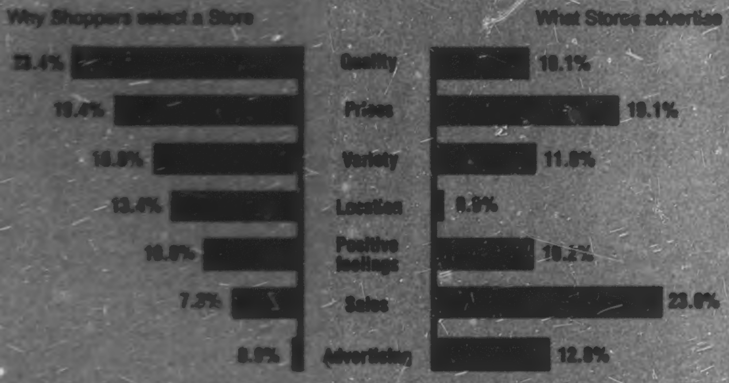
CHAIN STORE AGE General Merchandise Trends (ISSN 0193-1350) is published monthly by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Retailers: $12 a year; three years, $32. Wholesalers, manufacturers, schools, libraries and all others: $20 a year. Foreign subscriptions: Airmail only, $100 a year. Single copy rate $2. Second Class postage paid at New York, N.Y., and at additional mailing offices. Vol. 61, No. 3. Copyright © 1985 by Lebhar-Friedman Inc. All rights reserved.

ALL CORRESPONDENCE should be addressed to Executive Offices, Chain Store Age General Merchandise Trends, 425 Park Ave., New York, N.Y. 10022. For a change of address, six weeks notice to Circulation Fulfillment Director, 99 Park Ave., New York, N.Y. 10157, is requested. Give old and new address and zip code. If possible enclose address portion from cover on previous issue. Postmaster: Please send address changes to *Chain Store Age*, General Merchandise Trends, Subscription Dept., 99 Park Ave., New York, N.Y. 10157. Member Audit Bureau of Circulations, Second Class Mail Publications Inc., and Magazine Publishers Association.

Copyright © 1985 by Lebhar-Friedman Inc.

Customers prefer quality to sales

Are ad targets off center?



Source: TracABC

Quality is the most desired attribute a store can offer, say customers, but too often all shoppers hear are the shouts of "sale, sale, sale."

That's one of the findings of a survey of 4,000 apparel shoppers conducted by TracABC, a research facility of ABC-TV owned stations.

Asked why they choose a store, the largest number, 23.4%, said "quality." "Sales" came in at just 7.3%.

But when asked to recall what stores advertise, the largest group, 23%, said "sales." Just 10.1% said stores advertised "quality."

Clearly, store ads are emphasizing sales too often. In today's highly promotional times, shoppers know stores have sales. And while price is important to them, more important is price/value and quality. Ad dollars may be better spent on institutional ads.

ALCO expands, Hornsby's fades

ALCO Discount Stores expects to add 15 new stores in 1985 and will expand into north central Illinois as the result of an agreement with Pubco to lease nine of its Hornsby's sites.

The new stores will bring ALCO's total to 141, serving the Midwest, the Central States, the Southwest and the Southeast. An ALCO spokesman explained that the entry into the Illinois market will work well for the company because the nine new stores are within the chain's service area.

The fact that the nine stores were made available to ALCO marks a change in direction for the new owner of Hornsby's chain, Pubco. Pubco, a holding company with three printing subsidiaries, recently acquired all 14 Hornsby's Stores with the announced intention of diversifying its holdings into the retail market. Pubco planned to extend the stores' market by moving into catalog merchandising. Pubco expected to print the catalogs.

An ALCO spokesman said the chain was talking to Hornsby's about the nine-store lease last summer when Pubco entered the picture.

More greenbacks from the greenbelt

Zayre may be one of the best discounters at merchandising stores in urban ethnic areas, but the chain has been unable to pump what it considers satisfactory volume out of many of its rural and suburban units, which it has dubbed "greenbelt" stores.

The chain's urban stores, numbering about 60, have been productive largely because of their ability to successfully sell moderately priced fashion apparel. By contrast, the greenbelt stores have met stiff apparel competition from department stores and upscale discounters in regional malls and strip centers.

But Zayre is now at work retailoring the mix in its greenbelt stores, targeting hard goods and certain apparel categories where the chain feels opportunities lie.

"Instead of battling the competition in men's and women's apparel—a battle we'd probably never win—we feel we can do a better job in children's wear," says Malcolm Sherman, president of Zayre's discount store division.

Other areas getting more attention in the greenbelt stores include home furnishings, housewares and hardware.

Despite this retailoring program Zayre still feels it is best to expand by going into the type of locations where it already does well. And so, of the 20 new stores the chain wants to open this year, most will be in urban ethnic markets.

Herman's tries off-price biz

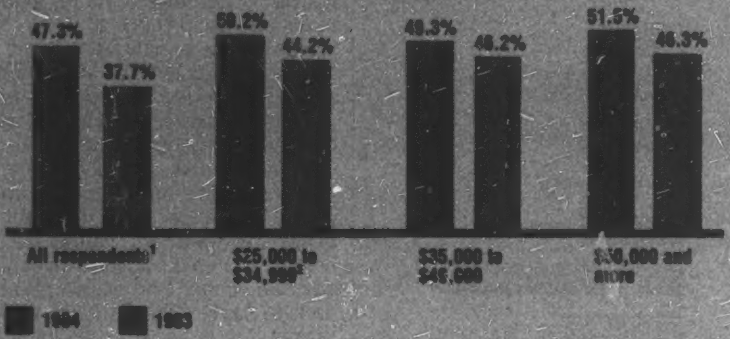
Herman's World of Sporting Goods, the $350 million sporting goods chain, has rolled out the first store in an off-price sporting goods division. Dubbed Total Sports, the 30,000-gross-square-foot store opened in Hollywood, Fla., in January.

Plans are to expand the new division to 30 to 50 stores in both the Snowbelt and the Sunbelt over the next five years. The bulk of the stores, however, will be concentrated in the Sunbelt, which has less seasonality of goods. David Bloom, president of Total Sports, says the Florida store will serve as a prototype.

Total Sports stores will carry almost every category of sporting goods merchandise, with the exception of large boats, at discount prices. Besides hard goods, the stores will also stock athletic shoes and active apparel. The goal of the chain, says Bloom, is to offer the widest selection at the lowest prices.

Correction

Boomlet means more school children



[1]Chart indicates percentage of households with school age children
[2]Yearly household income
Source: *Chain Store Age/Better Homes and Gardens*

A chart in the February 1985 issue of *Chain Store Age* incorrectly showed the results of a *CSA/Better Homes and Gardens* survey designed to measure the increase in school age children. The correct version of the chart, which reflects data collected from a panel of 415 consumers, appears below.

Caldor hires two hard lines vps

Caldor Inc., has reaffirmed its emphasis on hard goods with the appointment of two new merchandising vice presidents.

The new vice presidents, James E. Berk, and David Friedman, will head the newly realigned hard goods division, which includes homelines and hard lines. Each will have three group merchandising managers reporting to him.

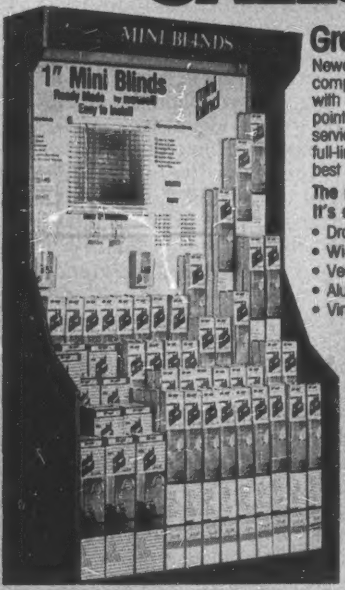
Berk, who will oversee hard lines, joined Caldor in January. He was formerly executive vp of Otasco Inc., of Tulsa, Okla. Otasco was a subsidiary of McCrory Corp. until the recent employee buyout. Friedman, who will be in charge of homelines, signed on at Caldor Feb. 4. For the previous nine years he had been with Gimbels Department Store. He was senior vp/homelines when he left to join Caldor.

Among the changes made as part of the Caldor realignment is a switching of the domestics and fabrics departments from the soft goods division to the homelines division headed by Friedman.

The two new vice presidents replaced Luke Kirby, hard goods vp and gmm, who retired Feb. 1 after 31 years with Caldor.

The changes were announced by Leonard S. Williams, president of the 103-unit discount department store chain, which is based in Norwalk, Conn. Caldor is a subsidiary of Associated Dry Goods Corp., of New York City. The chain has annual sales in excess of $1 billion, with stores in Connecticut, New York, Massachusetts, New Jersey, Maryland, Rhode Island, and one in New Hampshire.

Fabrics and domestics will become part of Caldor's homelines.



NEWELL GIVES YOU ANOTHER FULL-TIME SALESMAN:

Great Point-of-Sale!
Newell gives you the sales force you need to merchandise a complete line of window furnishings. All the right products, with tailor-made assortments for your market. All the superb point-of-sale merchandising. All the in-store support detailing service and continuing follow-up to ensure that your Newell full-line window furnishing merchandiser stays one of your best and hardest-working salesmen.

The Newell Window Treatment Center.
It's everything you need to sell.
- Drapery Hardware
- Window Shades
- Vertical Blinds
- Aluminum Mini Blinds
- Vinyl Mini Blinds
- Wood Mini Blinds
- Vinyl Roll-Up Blinds
- Wood Roll-Up Blinds
- Pleated Shades

newell™
Newell Window Furnishings Freeport, IL 61032
A member of The newell group™

Intent-to-buy a mixed bag for March

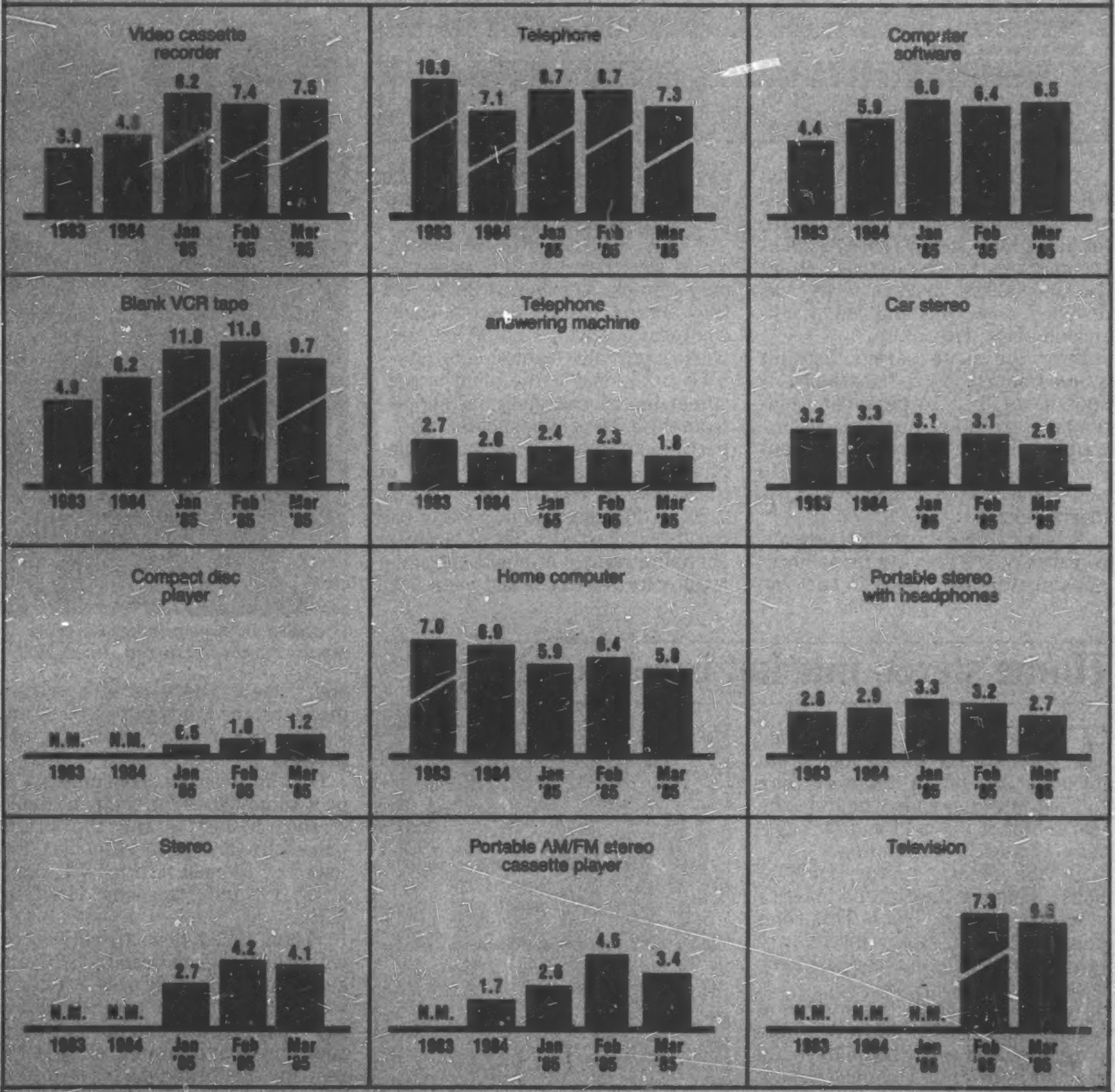
In the March survey, nine of the 12 home electronics products tracked by *Chain Store Age* MarkeTrends show a drop from the previous month's readings of consumer intent to buy within the next year.

The active market (those who have done some shopping in the last month) also fell for 10 products in the current study. The exceptions were VCRs, which posted a small increase in the number actively shopping, and compact disc players, which held even.

Prospective VCR consumers, however, once again give off conflicting signals. Though the number of households that expect to buy a video cassette recorder in the next year hovers below January's peak, the per cent actively shopping in the last month remains at near historic high levels.

The upswing in consumer interest in buying a compact disc player continues unabated. For the third month in a row, the number of households that intend to buy a CD player increased over the previous month. In the March study, more respondents are actively shopping for a CD player than those who are in the active market for a telephone answering machine. □

*Consumer Buying Intentions**



* % households might buy

Source: *Chain Store Age*/Leo J. Shapiro & Associates

GMers lead headphone stereo market

In only 15 months general merchandise chains have walked away with the market for personal headphone stereos. Full-line department stores and discounters have grabbed the largest market share increases. The gains come at the expense of audio/electronics specialty stores.

Discounters take personal headphone stereo market

	March 1985	August 1984	December 1983
[illegible]			
Electronics specialist	13.9	22.9	24.2
[illegible]			
Sears, Penney, Ward	13.1	17.0	16.1
[illegible]			
Other	19.4	20.6	25.6

Source: Chain Store Age/Lee J. Shapiro & Associates

As recently as the December 1983 *CSA* MarkeTrends poll, electronics specialists owned the largest share for headphone stereos with 24.2% of the market. In the current study the specialists' market share has dropped 43%, pushing them into second place with 13.9%.

Over the same period discount stores jumped 36% to take the No. 1 spot. Over 3 in 10 personal headphone stereos are now sold in discount outlets. Full-line department stores posted a 255% increase to take the No. 3 position with a 13.5% market share.

When it comes to brand, however, consumers are proving more loyal. Sony's Walkman is still the top choice for 37.5% of respondents, just about equal to the share Sony has held since headphone stereos were first measured in 1982. Once again Panasonic, cited by 16.7% as their preferred brand, is the only other choice listed by more than 1 in 10 prospective buyers. On the average, consumers say they expect to pay $60 for a personal headphone stereo, down from the $80 they expected to pay last August.

Almost 6 in 10 (57.3%) respondents say they will buy cassette-only stereos. Another 24.9% report they intend to buy cassette-radio combinations, while 17.7% say they wish to purchase radio-only units.

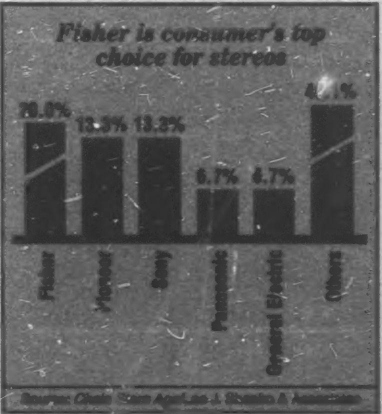
Over the last three months consumer intention-to-buy has slipped from the 3.3% of households that expected to purchase a personal headphone stereo in the next year as measured in the January poll to 3.2% in February and 2.7% in the most recent study. Those actively shopping remain at about the same level recorded in the last year. ☐

Home stereo market is rebounding

The home stereo business may not have recovered fully from its post-1980 slump, but according to *CSA* MarkeTrends research, the market for component and rack systems is quickly rebounding.

In the March survey 4.1% of households say they intend to buy a stereo in the next year. This compares with the 2.7% who intended to buy as recently as the January study.

At the same time, the number of households (1.3%) actively shopping for a stereo in the 30 days immediately prior to the most recent poll is 62% higher than the January reading.



Though audio and electronics specialists account for the lion's share of stereo sales (32%), the March poll indicates that department stores are positioned to reap the rewards of increased consumer interest.

Stereos represent the only category of the 12 electronics products studied where full-line department stores garner a larger market share than either discount stores or even retail giant Sears.

Department stores grabbed 15.8% of unit sales, compared to 13.6% for discounters and 10.2% for Sears. With most department stores carving a niche at the high end, where there is less margin pressure, the study implies they enjoy an even greater share of gross profits.

Branded stereo equipment is most popular according to the March survey.

On the average, consumers expect to pay $544 for their intended stereo. Fisher is the top brand named by 20% of those polled, followed by Pioneer with 13.3%, Sony at 13.3% and Panasonic cited by 6.7%.

When asked how strongly they want their chosen brand, 30.7% answer they definitely will buy their stated choice, and another 18.3% say they almost definitely want their preferred brand. Only 4.1% respond that brand makes no difference. ☐

Dust settles on phone answerers

Consumers have expressed a steady interest in telephone answering machines over four years of *CSA* MarkeTrends polling, but many of the automatic answerers have not found a happy home.

Though 11.0% of households in the *CSA* MarkeTrends survey say they own a telephone answering machine, almost 1 out of every 3 (31.2%) of the answering devices are still sitting unused, according to this month's study.

Of those who own an answerer which is not in use, 42.9% say they haven't even hooked the machine up. Another 14.3% report they discovered no need for the device, since someone is always at home to answer the phone. Another 1 in 7 of the nonusers say their family objected to the machine once they tried it.

How much would you pay for a telephone answerer?

$50 and under	7.9%
$51-$99	16.7%
$100-$124	23.9%
$125-$149	6.1%
$150-$199	16.2%
$200 and over	8.8%
Not answering	17.8%

Source: Chain Store Age/Leo J. Shapiro & Associates

With so many answering machines not in use, it is no surprise that the study also shows 1 in 20 (4.5%) households are buying answering devices at flea markets, garage sales and from other private parties.

Electronics specialty stores are the outlet of choice for 16.3% who have bought answering machines, followed by discounters at 15.6%, the Big 3 catalog chains with 13.5%, catalog showrooms at 11.7% and department stores with 9.7%.

Perhaps reflecting the large number of machines not in use, consumer intent to buy telephone answerers has dropped for three consecutive months.

The households actively shopping in the last month for answering devices (0.4%) is the lowest for any of the 24 consumer electronics or housewares products tracked in this month's survey. ☐

Value and quality—misused words?

Ask any home electronics retailer what today's customer wants, and my bet is that 9 times out of 10 the answer you'll get is "value." Ask just what value means, and my next bet is that you'll get at least nine different answers. Maybe more.

Consumers have a better insight into what they look for in an electronics retailer. Every time *CSA* MarkeTrends research has asked the question, right at the top of the consumer's list is one word—price. Next on the consumer's list is quality.

Mix the two concepts together, and we end up with retailing's second most popular phase—value pricing.

With all the talk about the relationship between value and price, it's surprising just how many merchants continue to shoot themselves in the foot on this one.

- Where's the consumer's perception of value when the $600 television he bought last week is priced at $500, or even $400, this week?
- Where's the perception of value when retailers use "compare at" pricing strategies that suggest savings from former prices that neither they themselves now any other retailer has ever sold that product for?
- Where's the perception of value when the small print reveals that price reductions took place before—often long before—the "now on sale" price?
- Where's the perception of value when manufacturer's suggested retail prices are used for savings comparisons when no retailer in the local market has ever charged those prices?

My guess is that today's increasingly sophisticated electronics customer has grown too savvy to be tricked over and over again without growing more than a little resentful. It's awfully hard for a customer to think he's getting value if he suspects he's getting his pocket picked at the same time.

The part of the value and price formula ignored by all too many pricing strategies is trust. Consumers must also trust that the price charged for a product is in at least some way rationally related to its quality.

Merchants who truly strive to offer a combination of value, price and trust must, with the exception of legitimate markdowns on discontinued merchandise, move to a policy of everyday low prices.

What's in it for the retailer? First of all, merchants with a policy of everyday low prices will avoid what are becoming frequently critical examinations of pricing strategies conducted by consumer affairs departments and state attorneys general.

Second, the experience of progressive retailers with everyday low pricing proves that consumers will seek out those merchants who have what Toys "R" Us chairman Charles Lazarus has called "a real, a rational and a more defined pricing policy."

Third, a policy of everyday low prices provides a cost-effective means for distributing store traffic more efficiently. It provides real cost efficiencies that will allow retailers to do a better job of providing both a better level of service and greater satisfaction for their customers.

Perhaps The Federated Group's ceo/chairman Wilfred Schwartz said it best: "Retailer's pricing strategies will have to leave behind New York's 14th Street and bargain basement mentality. Pricing policies will have to change rapidly as we move into the 21st century."

"Shopping should not be a hassle, nor should it be a hustle—it should be a pleasurable experience. It should be fun."

—Rick Gallagher

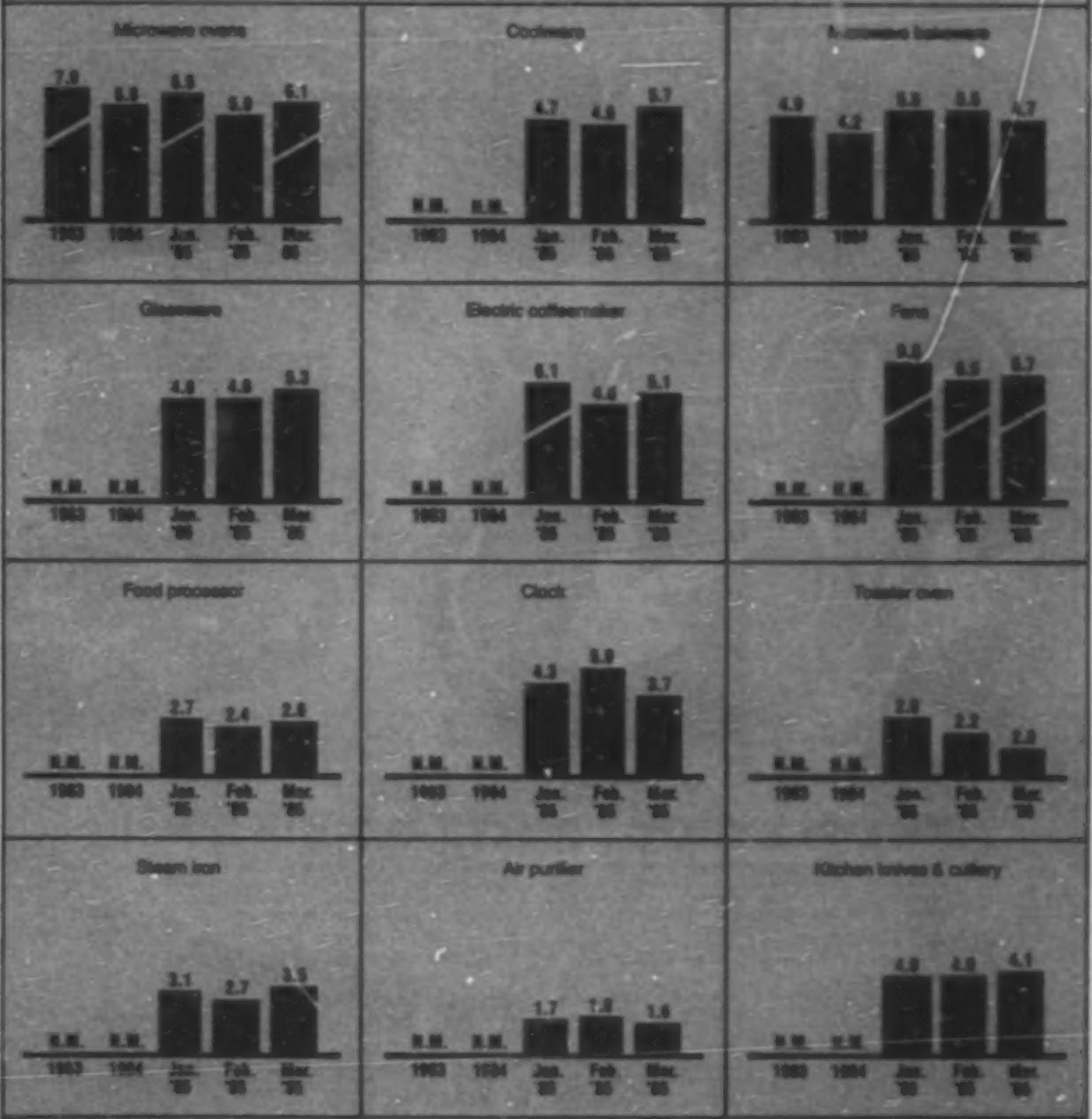
Housewares sales on an upswing

Consumers appear to be reviving plans to purchase new items in several key housewares categories, according to *Chain Store Age* MarkeTrends research. This upswing in consumer buying intentions in 8 of the 12 tracked areas reverses the downward trend exhibited in February's data when seven items dwindled in shopping intensity.

Microwave ovens, cookware and steam irons headed the list of items which showed an increase in the percentage of shoppers who may buy within the next 12 months. Additionally, the percentage of households who may purchase glassware, electric coffeemakers, fans, food processors and kitchen knives and cutlery also rose for March. Glassware, in fact, reached its highest level for the first three months of 1985.

The only areas consumers report they are less likely to buy, according to this month's report, included microwave bakeware, clocks, toaster ovens and air purifiers. ☐

*Consumer Buying Intentions**



*% households might buy

N.M. Not Measured

Source: Chain Store Age/Leo J. Shapiro & Associates

Clock sales tick away at discounters

Customers seek price and convenience when shopping for clocks.

No single clock manufacturer appears to have built a loyal consumer following, according to *CSA MarkeTrends* research. An in-depth look at the category shows that 72% of surveyed shoppers do not have a particular brand in mind when they are in the market for a clock.

Reasons shoppers choose a store for clocks

Price/discount	17.2%
[illegible]	[illegible]
Quality	3.1
[illegible]	[illegible]
Service/repair guarantee	1.8
[illegible]	[illegible]
Other	9.5
[illegible]	[illegible]

Source: Chain Store Age/Leo J. Shapiro & Associates

Instead, price and convenience impact upon the shopper's decision more than other factors. To that end, it is not surprising to find that most customers think of a discount store when deciding where to buy.

Almost 35% most recently purchased at a discount store, 16.5% picked the Big 3 and 10.3% mentioned a full line department store. When it comes to the Big 3, Sears has a slight edge over Ward and Penney. Sears was mentioned by 5.2%, Ward by 3.8% and Penney by 1.1%. Because price and convenience are two factors crucial to the business, drug stores and catalog showrooms scored high, too.

Price is important, yet customers do not have a clear focus on how much a clock should cost. The *CSA MarkeTrends* median price point was $30, but answers spanned the whole pricing structure from $10 and under to $300.

Although 32% did purchase a clock on sale, almost 28% noted they paid the regular price. Retailers are promoting clocks, however, as a way to stir up sales. K mart, for instance, recently advertised all wall and alarm clocks at 25% off the suggested retail.

Promotional efforts may intensify in the clock category if sales slack off. *CSA* research shows the clock buying intentions declining in the period from February to March from 5% to 3.7%.

CSA's shoppers are more likely to shop for an alarm clock than a wall model.

Customers may not have strong brand loyalties, but a few brands did pop into consumer's minds. Thirty per cent of *CSA's* poll picked a G.E. clock, 17.7% Westclox and 6.5% chose Timex. Store brands are popular with shoppers—an impressive 21% named the retailer's store brand as the clock they would buy. ☐

Food processors' perk: saving time

Fifty per cent of consumers owning a food processor are using it at least once a week with 35% noting that they use it for everyday and special event cooking. The majority, 47%, say they primarily use the processor to assist in the preparation of vegetables, salads and coleslaw.

These findings from *CSA MarkeTrends* research were welcomed by several retailers who say they are closely watching the category to determine whether there is an increasing demand for food processors. Says one Midwest merchandise manager, "We're anxious to see whether there will be incremental sales. We're hoping customers perceive food processors as something that really can save them time and effort rather than just another gadget."

CSA research found that consumers do indeed perceive advantages to food processors and the major perk, according to 40% of both those who do and do not have food processors, is that a processor "saves time preparing food."

Food processors are still considered somewhat of a luxury. For example, 35.5% responded that they would delay purchasing a food processor if they were forced to curb family spending. This is significantly higher than the percentage who said they would put off the purchase of a necessity product such as an iron or clock.

Consumers may be apt to postpone the purchase of a food processor because of price. The highest percentage of shoppers said they expect to pay over $36 for a food processor. The Big 3 have gained a stronghold on this market with 33% of all who named a store selecting Sears, Penney or Ward. Discount stores were second with 25% of the vote, while 16.7% picked a full line department store as a logical shopping outlet for a food processor.

Consumers often opt for an advertised brand (30%) but a surprising 77% said they have no brand preference. In fact, the mighty Cuisinart, once thought to be "the only" food processor, was not the No. 1 choice among the *CSA* sample.

General Electric's food processor took that honor with almost 30% of the sample that mentioned a brand singling out G.E. Twenty-one per cent said Cuisinart, 15% Oster, 6.3% Moulinex "La Machine," 4.3% Hamilton Beach and the rest mentioned others including store brands. ☐

What consumers expect to pay for food processors

$11 to $20	1.9%
$21 to $30	1.2%
$31 to $35	1.7%
$36 to $50	8.9%
$51 to $99	6.7%
$100 to $124	6.7%
$125 to $149	3.3%
$150 to $199	7.9%
$200 to $250	3.3%
Not answering	28.7%

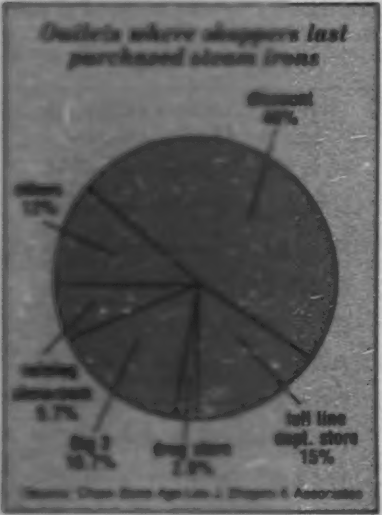
Source: Chain Store Age/Leo J. Shapiro & Associates

Food processors are considered by some shoppers to be a luxury purchase.

Iron sales steam up at discounters

Consumers in the market for a steam iron often wait until it is on sale. In fact, research from *CSA* housewares MarketTrends shows that almost 44% of all respondents who purchased a steam iron bought it at a sale price.

Since price is so crucial to the category, discount stores tend to be the customer's first choice when selecting an outlet. Almost 48% of the sample said that they last purchased a steam iron at a discount store with 16.5% of that base saying it was at K mart. When asked how they decided on an outlet, 18.2% responded price or discount. The only other response gathering double digits was convenience at 11.5%. It is no wonder that discount stores, which offer price and convenience, are No. 1.


Outlets where shoppers last purchased steam irons

Source: Chain Store Age/Leo J. Shapiro & Associates

Not surprisingly, most consumers expect to pay under $20 for a steam iron. According to *CSA* research, 21% expect to find price points under $20. There were, however, a significant portion of shoppers—10.6%—who were prepared to pay between $25 and $30.

Despite inroads by newer irons, customers appear to have clear brand favorites when it comes to steam irons. Out of the base mentioning a brand, better than 52% said they purchased a General Electric steam iron. No other brand even came close to G.E.'s hold on the market with Sunbeam selected by 18.2% and store brands 9.1%. ☐

Housewares Show is provoking interest

It is time for the Housewares Show again. You know what that means—it signals that time of year when everyone gathers in Chicago to bemoan that there "really isn't anything new in the industry."

This should not be the scenario as we gather at McCormick Place this March 24-28. There are several good reasons why retailers and manufacturers should embrace the 82nd Housewares Show with a renewed vigor.

Perhaps the best news for the industry came during the National Retail Merchants Association's meeting in New York. A panel consisting of Louis Stern from the Marketing Science Institute, Eleanor May from the Darden School of Business, Bill Ress of C. W. Ress & Associates and Walter J. Salmon of Harvard Business School, presented findings showing that sales of several housewares items will rise 6% through 1990. That 6% increase may not sound impressive until compared with the paltry sales projections for apparel, footwear and health & beauty aids. Women's apparel, for instance, will only show a 0.9% increase in retail sales through 1990, according to the panel.

Let's look at some specifics. Kitchenware and home furnishing sales should rise 6% to $26.8 million by 1990. Fueling this area, which includes cookware, tableware, flatware and decorative accessories, is the increase in household formations as a result of—you guessed it—the Baby Boom.

Small electric appliances should also experience a 6% sales gain to $8 million by 1990. This is because peole will continue to use the home as an entertainment center. The growing emphasis on health and appearance, plus the trend of women moving into the work force, and a shift to white-collar jobs will feed the demand for personal care items.

This bodes well for the housewares industry and guarantees the need and demand for new and innovative products. Last year's debut of "smart" irons addressed the requirements of today's new shopper.

These are just a few of the things that can inject some zing into this year's show. Other issues to watch include:

- The continuing saga of the G.E./Black & Decker transition. Not only is it interesting to watch how Black & Decker absorbs G.E., but also to see which other companies act to take advantage of what will probably be a confused customer. Black & Decker also will have to contend with more than competitors hoping customers are perplexed because the United Electrical Workers union is conducting an anti-Black & Decker campaign of its own. The union claims 850 people lost their jobs at a G.E. plant in Allentown, Pa., because the company wanted to switch to non-union factories. The union is starting a campaign to let consumers know Black & Decker is "destroying the housewares plant that made the reliable G.E. products."
- Can new entries into the sizzling anodized cookware market make it? Retailers say anodized cookware sales are promising but they are not sure at this point whether there will be room in the market for all of the new lines such as those from Car. Club and Meyer.
- What will be next for retailers who are upgrading the department look and merchandise? Retailers and manufacturers are closely watching new looks at Penney and Bradlees to see if customers truly do want to buy what was once department store merchandise in a more mass market setting.

—Faye Brookman

player groups, including the baseball player's union, says sales of this kind of merchandise are growing. And he discounts fears that having a player traded will ruin a local promotion.

"Experience has shown that when a popular player gets traded, everyone rushes to buy merchandise with him on it because they know there won't be much more of it in their market," says Schechter, whose company, Mike Schechter Associates, operates out of Cos Cob, Conn.

Giving it away: Much of this player licensed merchandise is used by vendors and retailers as premiums for promotions rather than sold. Chains as different as Southland, A&P and K mart have given away everything from glasses and mugs to placemats bearing the likenesses of local sports figures.

Merchandise *sold*, not given away, tends to be apparel. Toy and stationery buyers say there is little in their categories available in the way of sports licenses, and some doubt that the concept would work well for them.

"I just don't see much interest in team notebooks or pencils out there," says Dan Fazio, stationery buyer for the 15-store Rich's chain, headquartered in Salem, Mass. "And this is Boston Celtic country."

"People generally buy this kind of merchandise because they want to show their enthusiasm for a team, and that's often best expressed in something that's worn," says Peter French, director of licensing development for NFL Properties. ☐

Shortages still plaguing top licenses

Sales of Masters of the Universe dropped when buyers had trouble getting product in on time.

The only surprise in *Chain Store Age*'s monthly poll of the hottest licenses is the disappearance of Masters of the Universe from the ballots of some toy buyers. One buyer even dropped the property onto his list of "fastest declining" properties in this month's poll, which measures last December's sales.

The problem with Masters may not be one of its popularity but its availability. As one buyer noted, his sales of Masters dropped off because he was having trouble getting product.

Even with fewer mentions this month, Masters remains among the fastest growing licenses along with four other properties which have dominated the list since last summer. Cabbage Patch remains at the top of the list despite continuing inventory problems in some areas of the country.

"I still could sell all of the Cabbage Patch I could get my hands on," wrote the toy buyer for one moderately priced department store chain.

The *Chain Store Age* survey goes out to buyers at the 100 largest department, specialty, discount and variety store and catalog showroom chains. Numbers in parentheses indicate the license's position on last month's chart.

Showing most growth:
1. Cabbage Patch (1)
2. Transformers (4)
3. Gobots (2)
   Rainbow Brite (3)
5. Masters (5)

Showing most falloff:
1. Jedi/Star Wars (1)
2. A Team (3)
3. Strawberry Shortcake (4)
   Smurfs (2)
5. Knight Rider (5) ☐

Robot figures and dolls dominate the fastest-growing licensed properties list.

Ewoks™
STAR WARS
DROIDS

LICENSEES

Apparel/Accessories
Adam Joseph Industries (415) 552-5400
Charleston Hosiery Mills (513) 321-3050
Lee Company, a Division of
Lee Byron Corp. (212) 244-4440
Sales Corporation of America
(415) 896-0707
Underoos, A Division of Union Underwear
Company, Inc. (502) 781-6400
Uniprints, A Division of Union Underwear
Company, Inc. (502) 781-6400
Wilker Brothers Company, Inc.
(212) 564-7690
Food Products/Promotions
Coca-Cola USA (404) 676-2121
Kellogg Company (616) 966-2000
Home Textiles
The Bibb Company (212) 354-6300
Housewares
Deka Plastics, Inc. (201) 351-0900
Thermos, a Household International Co.
(203) 887-1671
Wallpapers-To-Go, Inc. (415) 785-7150
Wilton Enterprises, Inc. (312) 963-7100
Publishing and Music
Ballantine Books (212) 751-2600
Disneyland-Buena Vista Records
(818) 840-1000
Marvel Comics Group (212) 696-0808
Paradise Press (203) 838-5484
Polygram Records (212) 399-7100
Random House, Inc. (212) 751-2600
Stationery and Gift
Adam Joseph Industries (415) 552-5400
American Publishing Corporation
(617) 926-1800
Drawing Board Greeting Cards, Inc.
(214) 638-4800
Random House, Inc. (212) 751-2600
Sales Corporation of America
(415) 896-0707
Stuart Hall Company, Inc. (816) 221-8480
Topps Chewing Gum, Inc. (713) 768-8900
Towle/Sigma Giftware Corporation
(617) 569-6807
Toy and Juvenile Products
American Toy & Furniture Company, Inc.
(312) 271-2600
Ben Cooper, Inc. (718) 499-7025
Bradley Time Co. (212) 243-0200
Brookfield Athletic Shoe Company, Inc.
(617) 867-7406
CBS Toys (201) 330-3000
Don Post Studios, Inc. (818) 768-0811
Fundimensions (313) 949-4100
Huffy Corporation (513) 866-6251
Kenner Products (513) 579-4000
Parker Brothers (617) 927-7600
Spectra Star Kites (818) 897-2979
Miscellaneous
Atari Games, Inc. (408) 747-2700
Comdial Consumer
Communications Corp. (212) 319-0890
The McCall Pattern Company
(212) 880-2600
Oral-B Laboratories (415) 856-5000

SLRS: TENTATIVE TALK OF GROWTH

Manufacturers are hoping the boom in autofocus cameras will have a positive impact on SLR sales. New models are aimed at trading the customer up.

These days, waiting for sales of 35mm single-lens-reflex cameras to pick up is a little like waiting for Godot—the more you look for him, the further off he seems to get.

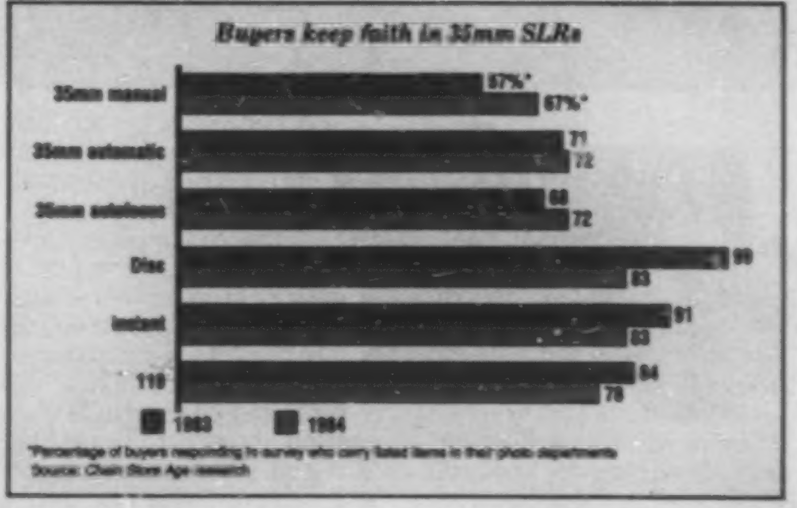
Last year, buyers and vendors began hoping the SLR business would finally get going again, if not spectacularly, then at least modestly. Vendors at the Photo Marketing Association show were buoyant enough about the market to introduce several new models and step up shipments from overseas. Retailers talked, albeit cautiously, about adding to their selection with something innovative, perhaps a programmable model.

A year later SLRs are still moving slowly, buffeted by a sudden downturn in consumer spending, squeezed off gift lists by hot products like VCRs, and chased out of their own department by the enormously popular autofocus camera.

Is more of the same in store for 1985? Or is this the year that SLRs regain some of the luster they had up until the late 1970's? It depends on whom you ask.

Trading up: Optimists that they tend to be, manufacturers are counting on some type of resurgence—even a moderate one—and a few will be putting their money where their mouths are with new products debuting at the PMA show. At the root of that optimism is a feeling that the boom in autofocus cameras will soon begin having a positive impact on SLR sales. Many customers, the reasoning goes, will soon be looking to trade up from point-and-shoot cameras to better-quality SLRs.

Buyers and manufacturers hope technological innovations will spur SLR sales.



Buyers keep faith in 35mm SLRs

*Percentage of buyers responding to survey who carry listed items in their photo departments

Source: Chain Store Age research

"A lot of terror has been taken out of picture-taking by cameras like the T-70," says Mike Matzkin, a spokesman for Canon, referring to one of his company's programmable SLRs frequently found in mass market outlets.

Consumer research suggests that such optimism may not be entirely unfounded. *Chain Store Age*'s most recent consumer buying intention study (*CSA*, August 1984), found 5.3% of consumers surveyed said they were looking to buy a 35mm camera in the next 12 months. That's the highest intention-to-buy figure reported in the four years of

Price a key when choosing an outlet for cameras

Reason for shopping	K mart	Other discounters	Sears	Ward	Penney	Catalog Showroom	Specialty store	Department store
Price/discount	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Selection	—	5.3	—	17.4	—	—	12.6	30.8
Quality	—	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Satisfaction/past experience	—	12.6	8.9	13.1	15.3	6.8	14.5	—
Location/convenient	[illegible]	—	16.4	—	[illegible]	—	[illegible]	[illegible]
Family works there	—	11.2	—	—	—	—	10.4	—
Have account there	—	—	—	[illegible]	[illegible]	—	[illegible]	—
Not answering	—	5.8	16.1	4.7	—	6.8	4.7	11.8

Source: Chain Store Age [illegible]

Who shops for 35mm cameras

Income	%*	Occupation	%	Education	%
Under $10,000	7.6	[illegible]	[illegible]	8th grade or less	[illegible]
$10,000-$20,000	21.9	Manager	15.5	9th-11th grade	8.0
[illegible]	[illegible]	Professional	[illegible]	H.S. graduate	[illegible]
$30,001-$40,000	17.7	Operative	9.7	Some college	29.5
Over $40,000	[illegible]	[illegible]	[illegible]	College graduate	[illegible]
Not answering	13.2	Other/Not answering	35.1	Post graduate	12.4

*[illegible]

Source: Chain Store Age [illegible]

the survey.

But the study also contained a cautionary note which explains why SLRs did not have as good a Christmas as some hoped they would. Nearly 8 out of 10 consumers who said they planned to buy a 35mm camera also said that, were they to cut back on family spending, they probably would strike the camera from their shopping list.

The target customer for new SLR business, say vendors, is the individual who has been willing to spend as much as $150, $200, even $300 for the most advanced autofocus models. Even some retailers, skeptical though they tend to be about any impending boom, believe there is a market for consumers ready to move from these point-and-shoot models to SLRs.

"There is more overall interest in 35mm photography because of the success of the autofocus. Maybe that will translate into better SLR sales soon," says Frank Dziabiak, photo buyer for G. C. Murphy.

How big a market?: That market, however, may not be large enough to fuel any drastic growth in SLR sales. There is at least some suspicion that many consumers gobbling up autofocus cameras are finding them entirely adequate and won't be ready to ditch them in favor of more expensive SLRs. More than half of all pictures are still taken for something as mundane as the family vacation, and it is not likely consumers will be rushing to upgrade just to enhance those kinds of pictures.

"The real possibility lies with the young. Manufacturers have to do a better job of selling autofocus cameras to this market, because they will be willing to trade up as they get older. A 35-year-old who spends a lot of money on an autofocus and is satisfied with it isn't going to want something else later on," says Dom DiCara, photo buyer for Federated Merchandising, a buying group which represents about 50 catalog showrooms.

Despite this characteristic caution, buyers don't seem ready to give up on SLRs. Slightly more than 72% of buyers at department, discount and variety stores responding to a *CSA* survey say they still carry some type of automatic SLR. That is virtually the same number which reported stocking the category in a 1983 survey.

"It's tough out there, but people are still buying cameras. We're not going to just walk away from the business," says the buyer for a Northeast discount chain with some 50 stores and nearly $300 million in sales.

Like manufacturers, buyers are hopeful that technological innovations will spur category sales, although most buyers also say that, with sales still flat, adding an innovative product would mean dropping another model. And despite this willingness to tinker with the assortment, buyers remain wary of innovative products that come bearing high price tags.

A case in point is the much publicized Minolta Maxxum, a recently introduced autofocus SLR that the company believes will create a whole new market. "It has no competition," say press materials distributed by Minolta.

Although this remarkable camera will no doubt appeal to enthusiasts, Minolta believes it will also be a strong mass market seller and predicts it will capture 5% to 10% of the SLR market in the first year. With a suggested retail price of $509, the consensus seems to be that the camera will sell for about $350 in the mass market. Most buyers believe that is too high a price point to spur any big buying binge.

"It would have been nice if it was a camera that we could sell for under $300," says Henry Becker, one of the principals of Combine Camera, which operates freestanding stores and leased departments in New York's Time Square Stores discount chain.

For many mass market buyers $300 seems to be the magic price point, although some admit that better department stores and discount chains like K mart and Caldor, which already approach $300 in their SLR assortment, might be able to sell a higher-priced camera like the Maxxum fairly well.

"At $350, I'd be surprised if the camera sold in significant numbers," says Ted Bartlett, photo buyer at ZCMI, the department store chain headquartered in Salt Lake City.

Consumer research tends to rein-force buyers' perceptions that there is resistance in the mass market to cameras which are priced that high. *Chain Store Age*'s buying intentions study (*CSA*, August 1984) showed that the average price consumers were willing to pay for an SLR declined $11 to $237 in one year.

One problem with higher prices, say several buyers, is that even a fully automatic camera which is easy to use needs to be sold by a qualified salesman if it carries an expensive price tag.

"We don't have the help in our photo departments to sell a camera with a $350 price tag," says the buyer for the Northeastern chain of discount stores. He does add, however, that the department has been upgraded in the last year to include the Canan T-70 and Minolta X700, two programmable models that can be sold at about $200.

Selling like popcorn: Executives at Minolta believe a unique technology will drive sales of the camera, even at prices above those found in the mass market. The company has already sold the Maxxum to several major chains, including, according to industry reports, K mart and Caldor.

"Most of the VCRs sold now are priced between $300 and $400, and people are buying them like popcorn. If it's a product that people want, what's $350?" says Jim de Merlier, marketing director at Minolta.

He points out that two of the best-selling SLRs in the mass market, the Canon AE1 and the Minolta X700, both frequently sell for between $200 and $250, and he doesn't think the Maxxum's price will be considered much of a step up.

"When autofocus was introduced people showed they were willing to pay 20% to 30% more for it," he says.

Regardless of whether customers come looking specifically for the Maxxum, manufacturers think they will be looking this year. Imports of SLRs to the United States through the first 11 months of 1984 rose 5% above *all* of 1983 imports. While some of that gain simply represents vendors adjusting inventories, most vendors also say they believe there is business out there.

"The SLR market is better than people believe, and I think some buyers found that out when they saw their final figures for 1984," says John Clouse, director of the photo division at Nikon.

For the time being, however, chain buyers without fail note that the real action continues to take place in the autofocus category, and that is where most buyers will be concentrating their inventory going into the PMA show.

"We can sell autofocus cameras priced between $69 and $130 with no trouble," says the buyer for a Midwestern chain of nearly 200 discount stores doing about $400 million in sales. "It's an easy sell, so why should we take too much of a chance on SLRs?" □

Section written by Steve Malanga

Autofocus sales seem nearly automatic

Buyers like the autofocus because it is simple to use and easy to sell at many different price points.

Pricing is getting sensitive on better-known brands of autofocus cameras.

Ask a photo buyer these days about SLRs, instant cameras or the disc and he is liable to start telling you how many autofocus cameras he sold last month.

That kind of enthusiasm is understandable. Technological innovations may spur SLR sales. Better-quality disc cameras could bring many consumers back to that product. The success of VCRs is certainly boosting video camera sales. But nothing compares in buyers' minds to the autofocus, and there are few indications its phenomenal success is about to abate.

For the first 11 months of 1984 imports of 35mm cameras with built-in flashes, a category dominated by autofocus models, increased 39% over similar imports in all of 1983. The Photo Marketing Association now estimates that more autofocus cameras than SLRs are imported here in one year, a remarkable achievement for a category in which less than 400,000 units entered the country in 1979.

Simple, inexpensive: Buyers continue to love the product because it is so simple to use and so inexpensive that any store which hangs out a "photo department" shingle can sell the autofocus—and many are. Although the category is less than six years old in the mass market, 72% of all department, discount and variety store camera buyers responding to a *Chain Store Age* survey say they carry at least one autofocus.

Most chains are actually carrying

Buyers stock Canon most frequently

Model	% departments which carry
[redacted]	[redacted]
2. Olympus AFI Minolta Freedom II Nikon L35 AF	38.9 38.9 38.9
[redacted]	[redacted]

Source: Chain Store Age research

considerably more than one. The typical department store surveyed by *CSA* stocks 7.6 models, while discount and variety stores on the average carry 6.8 models if they have a photo department.

Assortments have grown so broad because the autofocus is selling well at many different price points. Canon's Sure Shot, the best-selling autofocus, according to the *CSA* survey, now frequently retails for about $100, while another top seller, the Minolta Talker, often goes out for between $120 and $130. But Nikon's L35 AF, also mentioned by retailers as a top mover, sells well at $140, while the Canon Snappy line, according to buyers, is doing well at considerably below $100.

"We do best at about $150," says Henry Becker of Combine Camera Stores, headquartered in West Hempstead, N.Y. "A lot of people come looking to spend about $100, but when they see what's available for $50 more they're willing to spend the money."

To a discount store buyer in the Plains States with nearly 200 stores which don't sell SLRs, $150 is too high a point. But the discounter still says he does a strong autofocus business between $70 and $130 with models like the Canon Snappy. "They sell themselves," says the buyer.

The low-end of the business, in fact, is exciting many discount and variety store buyers. Several say that a major task at this year's Photo Marketing Association show is to find low-end, off-brand autofocus models to round out their lines.

Falling margins: The need to shore up profit margins on autofocus cameras is obvious because, while sales are booming, margins are falling. More than 35% of those stores selling autofocus cameras say they now get less than 15% margins on these items. Especially squeezed are discounters and variety stores, which make up 80% of the group below 15%.

"Pricing can get pretty sensitive on brands that are the most well-known. That's how we get into stores, by offering an autofocus for under $100 that retailers can still make a good profit on," says Robert Bedessem, vice president at Ansco Photo-Optical.

The company says that it has met with such success with its 1090 AFS, an autofocus that typically sells for between $69 and $89, that Ansco is working on introducing another low-end model.

As the autofocus' share of market increases while margins tumble, many buyers are looking to make money selling accessories for these cameras. Some buyers caution that a store can risk alienating customers by selling products which really do not do much to enhance pictures taken with these cameras.

In the *CSA* survey of photo buyers, two-thirds say they are carrying some type of autofocus accessories. The group is dominated by department stores; 70% of those stocking accessories fall into this trade class.

Lenses big winners: The most commonly carried accessories are lenses, stocked by 90% of those carrying autofocus merchandise. Carrying cases are a part of 40% of the departments which stock accessories, while 24% of buyers say they carry filters and 10% stock tripods designed for autofocus cameras.

Department stores dominate this segment of the business because lens sets, the best sellers, typically go out for between $40 and $100. But some discounters, like K mart, have also succeeded in the business. Offering its own Focal brand lenses, K mart says it sells one lens for every two cameras.

Despite the hesitance of some discount buyers, some believe lenses can become a major mass market item. Rokina, a vendor headquartered in Irvington, N.J., believes so. It is introducing more detailed, graphic packaging for its autofocus lenses.

Rokina's lenses, tailored for cameras by Canon, Minolta, Nikon and Ricoh, commonly sell for between $50 and $60, with some going out on ad for $39.

Some buyers, however, are wary of stocking autofocus lenses because they often do not measurably enhance photos and can sometimes be difficult to fit correctly on a camera purchased for its simplicity. Even several buyers which sell them admit privately that the wide angle and telephoto lenses available do little to improve pictures.

"We've done very well with cam-

Consumers unlock pocketbooks for autofocus*

Price	All consumers	High level of interest	Middle level of interest	Low level of interest
Under $50	1.1%	1.0%	1.1%	1.1%
$50-$99	8.9	16.0	6.4	4.8
$100-$149	8.2	11.3	11.8	8.5
$150-$199	7.5	5.9	12.3	3.7
$200-$249	6.0	7.3	4.4	6.7
$250-$299	3.8	5.7	3.7	1.7
$300-$399	9.1	7.5	11.7	8.8
$400 or more	8.4	14.3	7.4	3.2
Mean	$247	$272	$223	$249

*Columns do not add to 100% because of "no response."
Source: Chain Store Age/Leo J. Shapiro and Associates

CLEARANCE SALE

Of photo buyers surveyed, two-thirds say they are stocking autofocus accessories.

United States suppliers may have a tough time meeting the demand for fashion sunglasses. Some chains have turned to imports to fill out inventories for '85.

Trendy styles brighten sunglass sales

For 1985, retailers will put more of their dollars behind the trendy sunglass shapes and colors currently igniting the $1 billion sunglass category.

By appealing to shoppers interested in fashionable eye wear, retailers hope to generate sales gains up to 35% over last year's robust selling season. The Sunglass Association of America predicts that an additional 30 million units will be sold this year, hiking the total number of sunglasses sold in the United States to 120 million.

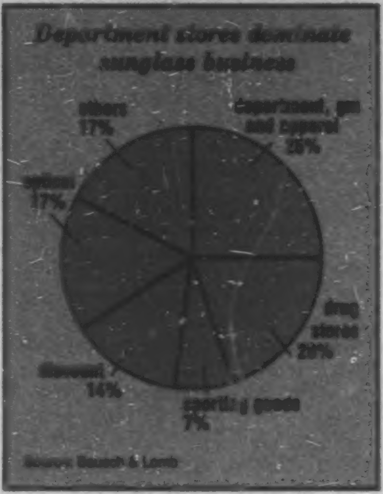
The hot trends at department stores, which account for 25% of sales, will be flat brow, cat eye, preppy and large wrap (similar to Yoko Ono's sunglasses) shapes, buyers say. Broadway Stores' buyer Syd Fry predicts that bright colors will steal the scene while Renee Stark, sr. buyer at Dayton Hudson, says she'll emphasize white and graphics. And a representative of Riviera, a leading supplier, pegs clear frames injected with bright specs of colors and colored mirror lenses as winners for 1985.

Neons, passe at many department stores, now appear ripe for mass market audiences, says Dick Enholm, vp marketing for Foster Grant. Buyers from Gold Circle and Woolworth agree.

Many of last year's styles—glaciers, Wayfarers, cords and beveled frames—should continue to be strong in 1985, report discount store buyers. Buddy Sklar of Opti-Ray says the concern over ultraviolet rays will fuel demand for the new Coppertone Sun Protectors by Opti-Ray. Wal-Mart, Jamesway and G. C. Murphy have already committed to the line, according to Sklar.

Department stores are finding a new host of competitors hungry for the sunglass business, according to Norman Salik, director of marketing services for Bausch & Lomb. He points out that mega-optical centers such as Eye Lab are stealing sales, especially during off-season when retailers de-emphasize the category. Department stores, however, command the lion's share of the business which breaks down this way: department stores 25%; drug 20%; optical 17%; discount 14%; sporting goods 7%, and other 17%.

Graphics are in for fashion sunglasses—shape and color are eye-catching.



Source: Bausch & Lomb

With gross margins of 40% to 45% and departments that don't require heavy space commitments, the sunglass department is crucial to retailers. The general rule of thumb is that sunglasses should account for three-tenths of 1% of total store volume, according to suppliers. Here are the tactics several retailers are using to maintain their share of the business:

- *Upgrading to better designer frames.* Fry at Broadway says she'll annex her everyday business by emphasizing frames priced between $25 and $65 from Anne Klein, Bausch & Lomb and Laura Biagiotti. Sanger Harris will also feature upscale offerings from Emmanuelle Khanh, Private Eyes and Colors in Optics. Some chains will encourage sales of trendy shades such as those by Tropical by creating outposts in junior departments;
- *Boosting men's business.* According to associate buyer Pete Palmisano at Dayton Hudson, the men's business is now following the fashion cue set by women's sunglass sales;
- *Improving fixtures.* Mark Orlinksy, vp marketing for Visual Scene has seen more discounters use chrome and glass fixtures. Mary Haworthe at Gold Circle adds that she is creating a boutique look for the items;
- *Importing house brands.* K mart and Family Dollar are examples of chains improving margins via internal programs.
- *And finally, advertising.* Chains are using ads to create year-round sales. Gold Circle, for example, advertises sunglasses every week. "One week it will be by vendor like Riviera, another week it will be lifestyle such as retro-1950 looks," says Haworthe. ☐

Research suggests that college students and recent graduates are the most likely to set up home offices—either for personal or business use.

Home offices grow by at least 9%

Electronic typewriters are gaining in popularity, although brands are not as important.

While only 4 out of 10 consumers have set aside home offices, 6 out of 10 keep filing cabinets there and 7 out of 10 own typewriters, indicating that the home office market may be bigger than the industry realizes. These are just a few of the findings from a recent *Chain Store Age/Better Homes and Gardens* consumer survey.

Of the 37.9% who have an area set aside in their homes for offices, more than half use a separate room. Moreover, another 8.7% are planning to incorporate one into their homes soon.

College students and recent graduates are the most likely to create home offices. Approximately 54% of those planning one are between 18 and 34 years old. Additionally, 3 out of 4 planners have some college education while approximately one-third are college graduates.

The majority of consumers use their home offices primarily for personal matters but a sizable group (34%) maintain the space for business. This concurs with the U.S. Department of Labor Statistics which show 27 million households (or 35%) have business offices at home.

No matter how it is viewed, the home office trend is booming. Retail sales of home office products have followed suit, cracking the once sedate stationery business wide open. Big-ticket items such as filing cabinets and electronic typewriters fuel the fire for everyone.

For instance, K mart's sr. stationery buyer John Sommerville says his home office business has seen the greatest increases of all stationery over the past four years.

The *CSA/BH&G* survey found that more consumers owned typewriters (73.8%) than either filing cabinets (58.5%) or home computers (17.8%). The most popular typewriters previously bought were the electrics: 51.1% of the respondents say they own this type. Another 46.7% own manuals and 1.9% own electronic models.

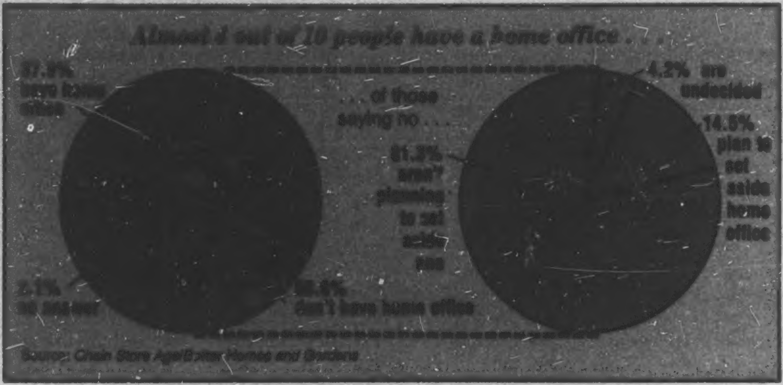
In 1985, 1 in 10 plans on buying a new typewriter. Similar to previous

Computer shopper shows highest income

	File cabinet	Typewriter	Home computer
Age			
18-34 yr. olds	[illegible]	[illegible]	[illegible]
35-49 yr. olds	[illegible]	[illegible]	[illegible]
Income			
In excess of [illegible]	[illegible]	[illegible]	[illegible]
In excess of [illegible]	[illegible]	[illegible]	[illegible]
In excess of [illegible]	[illegible]	[illegible]	[illegible]

Source: Chain Store Age/Better Homes and Gardens

Almost 4 out of 10 people have a home office . . .



Source: *Chain Store Age/Better Homes and Gardens*

Younger people set up home offices

	% of those who have a home office:	% of those who are planning to set up a home office:
Age		
18-34 yr. olds	38.2%	54.1%
35-49 yr. olds	35.2	29.7
50-64 yr. olds	24.1	13.4
Education		
Some college or better	69.1	75.7
College graduate or better	37.0	32.4
Income		
In excess of $25,000	74.7	64.9
In excess of $35,000	54.3	40.5
In excess of $50,000	28.6	16.9
Married	87.0	81.1
Number of people in household		
2-3 people	57.4	64.9
4 or more people	36.2	35.1
Own Home	88.9	78.4

Source: *Chain Store Age/Better Homes and Gardens*

purchases, half (54.8%) are in the market for electric models. However, unlike the past, 1 in 3 shoppers wants an electronic typewriter while only 9.5% want a manual.

The majority of retailers see electronic typewriters as an excellent growth classification. Moreover, they say brand is not a critical factor in the buying decision. As long as it is a recognizable brand and a quality item, it will sell.

Merchants explain that the increased interest in electronic typewriters stems from broader acceptance of new technologies in addition to the introduction of some electronic models priced competitively with the electrics.

Montgomery Ward's 1985 Spring and Summer catalog demonstrates this well. It offers three electric typewriters for $229.99, $239.99 and $259.99 while the eight-sku's electronics selection starts at $199.99 and ends at $529 (with the majority of the merchandise falling between the price points of $249.99 and $299.99).

Not surprisingly, discounters will prosper most (45.2%) from the new business. Other merchants abandoned the typewriter category two or more years ago to the discounters and specialty retailers. Approximately 21% of the remaining shoppers will make purchases at catalog showrooms, 11.9% at stationery stores, 9.5% at department stores and 9.5% at Sears.

Three out of 5 of the shoppers have some college education and 73.8% have children in their households. Additionally, they are older than the filing cabinet customer and more affluent. This suggests that parents are buying typewriters for children or replacing older models while the filing cabinet customer is the college student or recent graduate.

Of the 58.5% of the consumers owning filing cabinets, 56.4% have two-drawer and 42% have four-drawer units. In the next 12 months, an additional 11.5% of the consumers are planning purchases.

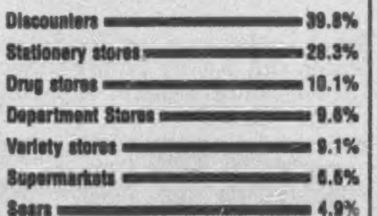
Approximately 57% of the shoppers are 18 to 34 years old and 7 out of 10 have some college education or better. More than 85% are married and own homes.

Like the typewriter customer, filing cabinet shoppers frequent discounters (38.8%). Office supply stores run a close second (34.7%) for market share. Department stores and the Big 3 catalog chains attract only half as many customers with department stores accounting for 18.4% and the Big 3, 16.2%. Sears comprises 12.2% of the Big 3's total.

These shopping patterns are indicative of selections available. Office supply stores and discounters offer broader selections of filing cabinets than department stores or the Big 3 (with the exception of Sears).

Discounters top shopping list

Where customers shop for the majority of home office supplies (multiple responses)



Source: *Chain Store Age/Better Homes and Gardens*

Additionally the discounters and office supply stores are more likely to provide one-stop shopping for all home office needs more so than the department stores and Big 3. In fact, the survey shows that 39.8% of the consumers shop discounters for most of their home office supplies vs. 9.6% who shop department stores and 6.3% who shop the Big 3.

Lastly, of the three categories tracked, the study indicates that home computers will grow the most. It had the lowest current market penetration (only 17.8% own one) while another 13.3% plan on buying a home computer during 1985.

These consumers are the most affluent of all three shoppers with 36.8% having incomes in excess of $50,000. Moreover, one-third are at least college graduates and 87.7% are married. ☐

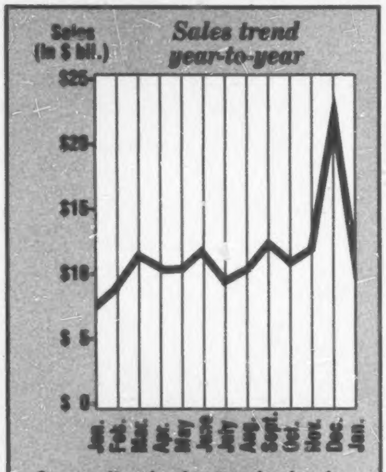
—Nanci Brickman

Fiscal year ends on a sour note

Despite the 9.2% January sales gain posted by the 25 chains tracked by *Chain Store Age*, the fiscal year ended on a sour note. When the totals are adjusted to reflect an extra selling week this January, the chains finished the year with the worst year-to-year monthly comparisons in over 12 months.

For the year ended January, sales for the 25 chains were up 10.7% over 1983. Discount and variety stores, led by Wal-Mart's 37.2% increase, marked the greatest gains. Zayre saw yearly volume up 19.5%, followed by Braintree, Mass.-based Bradlees' 18.7% jump.

Department stores turned in the next best performance with Carter Hawley Hale at the head of the pack, posting an 18.3% gain. Dayton Hudson sales increased 15.5%; Associated Dry Goods was up 14.2%.



Composite of sales trends showing month-to-month sales volume for the 25 retail companies tracked by *CSA*.

The Big 3 catalog chains turned in uneven results. J. C. Penney's 12.1% yearly jump outpaced both Montgomery Ward's 7.1% hike and Sears' lackluster 5.2% increase.

Among the specialists, Tandy ended the year with only a 1.7% gain, but saw January sales up 5.3%, its best year-to-year monthly comparison in six months.

Circuit City Stores, the Richmond, Va.-based electronics and major appliance specialist, bucked the trend and turned in a January gain of 49% and same-store results up 33%.

Year ends with weak January

Major chains	% change	Jan. Sales* 1985	Jan. Sales* 1984	Stores 1985	Stores 1984	12-mo. sales* 1985	12-mo. sales* 1984	% change
Sears[1,6]	+ 1.5	1,728,482	1,703,550	871	890	23,703,301	22,520,121	+ 5.2
Penney	+ 7.4	712,000	663,000	1,994	2,014	12,372,000	11,033,000	+ 12.1
Ward[1]	− 3.1	366,052	377,878	366	374	6,487,295	6,058,883	+ 7.1
Federated[5]	+ 2.4	426,300	416,500	463	424	7,861,300	7,146,200	+ 10.0
Dayton Hudson	+ 12.7	435,951	386,780	1,137	1,082	7,586,387	6,567,807	+ 15.5
May Dept. Stores	+ 9.3	243,700	222,900	1,853	1,584	4,690,000	4,170,000	+ 12.5
R. H. Macy	+ 23.1	234,300	190,300	96	93	4,294,800	3,826,900	+ 12.2
Allied Stores	+ 24.6	234,700	188,300	596	570	3,970,500	3,675,900	+ 8.0
Carter Hawley Hale	+ 10.5	274,300	248,200	268	249	3,856,600	3,260,200	+ 18.3
Associated Dry Goods	+ 35.2	257,400	190,400	N/A	N/A	4,060,000	3,555,000	+ 14.2
Mercantile	− 8.6	89,295	97,697	79	85	1,694,142	1,610,734	+ 5.2
K mart[7]	+ 16.3	1,237,618	1,064,584	2,173	2,162	20,822,522	18,597,901	+ 12.0
Woolworth	+ 9.7	346,552	315,770	N/A	N/A	5,713,139	5,440,947	+ 5.0
Wal-Mart	+ 28.4	425,000	331,000	756	645	6,401,000	4,667,009	+ 37.2
Household Merch.[2,3]	+ 2.2	363,606	355,705	3,633	3,806	5,404,923	5,309,634	+ 1.8
T.G. & Y.	− 4.8	116,980	122,866	741	809	2,031,560	2,007,658	+ 1.2
Zayre[4]	+ 21.3	146,398	120,642	847	749	3,122,100	2,613,667	+ 19.5
Bradlees	+ 8.2	79,000	73,000	132	127	1,404,000	1,183,000	+ 18.7
Murphy	− 5.4	47,097	49,799	383	403	902,145	872,151	+ 3.4
Rose's	+ 32.1	51,762	39,178	193	191	928,000	829,286	+ 11.9
Heck's	+ 1.7	23,600	23,200	126	122	465,700	444,259	+ 4.8
Jamesway	+ 51.5	26,605	17,563	85	78	475,406	416,773	+ 14.1
Melville	+ 2.4	225,104	219,882	5,894	5,734	441,637	392,142	+ 12.6
Tandy	+ 5.3	235,678	223,883	N/A	N/A	1,726,712	1,697,352	+ 1.7
Edison Bros.	− 4.0	61,900	64,500	N/A	N/A	1,053,577	1,030,181	+ 2.2
The Gap	+ 34.2	40,800	30,400	624	568	534,200	481,400	+ 11.0
Total & Averages	+ 9.2	8,313,200	7,614,611	—	—	129,971,386	117,400,438	+ 10.7

*000 omitted. N.C. = no change. N/A = not available.

[1] Store number for full-line outlets only. [2] Includes 2,715 franchise stores (vs. 2,785 a year ago). [3] Includes Von's and T.G. & Y. sales. [4] Includes 290 Zayre stores (vs. 275 a year ago), 401 Hit or Miss stores (vs. 356) and 156 T. J. Maxx stores (vs. 118). [5] Excludes supermarket sales. [6] Includes results from Sears Canada. [7] Store count includes K mart stores only.

Jamesway expects 16% sales gain in '85

With well over half of its stores new or remodeled, Jamesway expects sales to climb about 16% in fiscal 1985.

The Northeastern chain, which has staked a claim for itself in many rural, secondary Northeastern markets, expects to report sales of $550 million this year, compared with volume of about $475 million in fiscal 1984. The chain hopes to do that volume in about 95 stores, compared to the 85 it operated at the close of 1984.

Fueling that sales growth will be a group of 40 stores which have already been remodeled in a "center core" layout, which the chain has taken as its new prototype. A new merchandise assortment in those 40 stores positions the chain in what it has identified as a significant new niche—between traditional discounters and upscalers.

To take advantage of that void in the market, Jamesway is beefing up several categories, including women's apparel, ladies' large sizes, boys' apparel and home fashion merchandise. Within the past year the chain hired merchandise executives from Richway and Venture—two upscalers—to help with the remerchandising.

Jamesway expects 1985 to be a banner year for another reason: Others are not paying much attention to its largely rural markets. In 1984 just one discount store opened in the trade area of a Jamesway store, and for this year the company can identify at the most four possible new competitors.

CS150-7

Chain Store Age
GENERAL MERCHANDISE TRENDS
April 1985

"We have to be the store of first choice."

CONTENTS

Dayton Hudson tries to make a go of specialty stores again with RG. Branden's 13

Industry News

Is Target on target? 16
Hard lines chains regroup 19
Advertising Strategies: Medium gets the message across 23

Consumer Electronics

Computer resale—trade-in to trade-up 25
Sony's new distribution channels 29
CE MarkeTrends: car stereos, CD players, boom boxes 32

Housewares

At Silver Palate taste is priceless 39
Escaping cutlery's discount trap 40
Fringe items join appliance museum 42
Housewares MarkeTrends: cutlery, glassware, air purifiers 49

Toys

Fashion dolls: Barbie has no competition 55
At Mattel, Barbie is a fashion leader 56
Bear truth: Undressed for action 77

Home Textiles

Bathtique bathes customers in service 81
Promotions absorb towel margins 82
Vanity accessories create a splash 83
Bath rug prices being stepped on 84

Stationery 85

Photo/Camera

Disc finds niche under autofocus 88

Licensing: Special Report 57

CHAIN STORE AGE General Merchandise Trends (ISSN 0195-1262) is published monthly by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Retailers: $12 a year; three years, $32. Wholesalers, manufacturers, schools, libraries and all others: $20 a year. Foreign subscriptions: Airmail only, $100 a year. Single copy rate $2. Second Class postage paid at New York, N.Y., and at additional mailing offices. Vol. 61, No. 4. Copyright © 1985 by Lebhar-Friedman Inc. All rights reserved.
ALL CORRESPONDENCE should be addressed to Executive Offices, Chain Store Age General Merchandise Trends, 425 Park Ave., New York, N.Y. 10022. For a change of address, six weeks notice to Circulation Fulfillment Director, 99 Park Ave., New York, N.Y. 10157, is requested. Give old and new address and zip code. If possible enclose address portion from cover on previous issue. Postmaster: Please send address changes to Chain Store Age, General Merchandise Trends, Subscription Dept., 99 Park Ave., New York, N.Y. 10157. Member Audit Bureau of Circulations, Second Class Mail Publications Inc., and Magazine Publishers Association.
Copyright © 1985 by Lebhar-Friedman Inc.

Specialists lose market share to general merchandisers

	Portable headphone stereos		Home stereos		Video cassette recorders	
	1982	1985	1982	1985	1982	1985
Electronics specialists	25.3%	13.9%	43.1%	32.0%	39.1%	36.0%
Discount stores	24.3	30.8	13.8	13.6	11.6	10.6
Department stores	20.0	13.5	9.6	14.2	9.8	14.0
Sears, Penney, Ward	6.6	13.1	15.0	15.6	15.3	12.7
Catalog showrooms	6.9	9.3	3.0	2.7	4.2	2.0
Other	9.4	10.4	15.5	21.7	20.6	25.3

Source: Chain Store Age/Leo J. Shapiro & Associates

going beyond the mass merchant customer's ability to pay. We'll be offering a $399 rack system this year, and for us that's good."

"To be frank," Adis adds, "we probably do more for K mart than K mart does for us—we add credibility to their line."

Televisions will also stay out of discounters, says Adis, both because of Sony's high price points and the company's limited production capacity.

"The worst thing that we could do," he says, "is to take on new orders and then get ourselves into a backorder situation with our regular customers. We don't want to do that."

The Sony exec suggests, however, that added production capacity in 1986 might well mean that televisions will find their way into discount outlets sometime next year.

With all the attention paid to Sony's move into discount stores and warehouse operations, little notice has been given to what may be its fastest growing distribution channel. "It's been growing quietly, and we love it because it doesn't contribute to price erosion," Adis says.

Since 1982 Sony's direct mail business through American Express has grown 400%, according to Adis. Though Sony has sold through direct mail for nearly a decade with the likes of Sharper Image and American Express, it's only been in the last two years that the business has really taken off.

Are general merchandisers concerned that Sony products in new distribution channels will take the glitter off their own electronics business? Not if one department store electronics buyer is to be believed.

"Our business is not highly promotional, and never will be," says the Sun Belt buyer who does $35 million in electronics sales annually. "Sony may move into other areas with products at the low end. And even if they do and are very successful, we'll still be very successful with Sony," he adds.

"We know how important they are to us, and they know how important we are to them. Not much will change as long as that's true," he says. ☐

TDK has more. And more of
TDK
TDK
TDK
TDK HS
TDK SA
SA
TDK
SA
TDK AD
TDK AD90
TDK D
TDK D90

TVs slump, VCRs and CD players jump

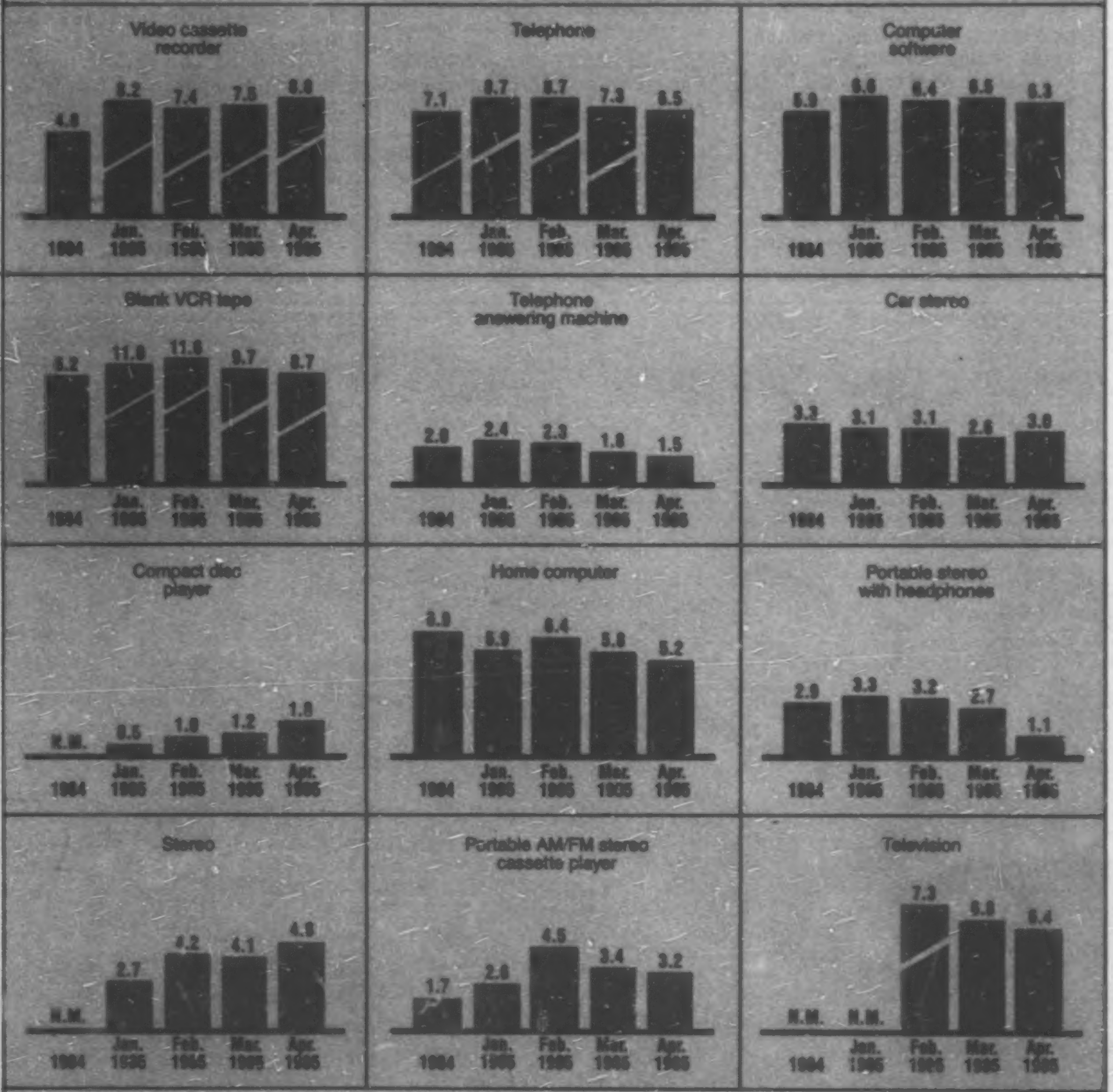
The television sales picture is getting dimmer—for the second straight month the number of households that say they intend to buy a TV in the next year has dropped. Just 6.4% of households surveyed in the April *Chain Store Age* MarkeTrends poll said they might buy, following a 7.3% score in February and 6.8% in March.

Video cassette recorders, on the other hand, will continue their upward spiral. After skipping a beat for two months, consumers came back in the April survey and reported that 8.8% intend to buy a VCR in the next year, the highest number measured for VCRs in four years of MarkeTrends tracking.

At the same time, compact disc players are turning in an impressive new product performance. Since January, the per cent of households that intend to buy a CD player has more than tripled, jumping from 0.5% three months ago to 1.8% in the April survey. The households that might buy a compact disc player in the next year now outnumbers those who intend to buy either headphone portable stereos or telephone answering machines.

The April MarkeTrends survey also shows personal headphone stereos, blank VCR tape and telephone answering machines continuing a falloff in consumer intent to buy. ☐

*Consumer Buying Intentions**



*% households might buy

N.M. = Not Measured

Source: Chain Store Age/Lou J. Shapiro & Associates

CD players sound their way into homes

Retailers are adding CD players to their rack stereo systems.

Compact disc players are singing the sweet song of growth to the stereo component business. Advertising campaigns touting the digital audio system's superior sound have paid off with dramatic increases in consumer awareness and demand. Price drops are further exciting the market.

According to *Chain Store Age*/MarkeTrends, 27.7% of those polled have heard or seen something about CD players. Among those households already owning a stereo system, the number familiar with the digital technology jumps to 39.3%.

But even more astounding is that 38.3% of households currently owning a stereo say that they are interested in buying a CD system. Simply put, just about every stereo owner who has heard of a compact disc player, wants one.

Eleven per cent of respondents who have heard of a CD player rate themselves as very interested in owning one. Another 25% say they are somewhat interested.

The median amount consumers expect to pay for a CD player is $400, down from the average $510 measured in last August's survey. Audio and electronics specialists own 39.3% of the CD market, according to the poll, with full line department stores garnering 12.1%, Sears 9.1%, catalog showrooms 9.1% and discounters 6.1%.

Sony and RCA are the top brands in consumers' eyes, followed by Fisher, Sanyo and Panasonic.

Clear sound sells CD players

What's the main advantage of a CD player?	
Clear sound	21.5%
Compact size	13.1%
Lasts longer than records	10.8%
Doesn't scratch like records	6.2%
Portable	4.6%
Easy to store discs	3.8%
Other	6.1%
No advantage	11.5%
Not answering	38.2%

Source: Chain Store Age/Leo J. Shapiro & Associates

While some retailers remain skeptical about the compact disc player's future, at least one department store has jumped in head first. The Broadway Southern California's rack stereo assortment includes a CD player as part of each rack system.

Other audio buyers, including one for a major Texas department store chain with sales exceeding $400 million, have begun building rack systems with more expensive speakers and less pricey turntables in anticipation of future compact disc additions. ☐

Car stereos ride middle of the road

The market for car stereos is once again making a U-turn. For two years the trend has been toward the low and high end of the assortment with consumers abandoning the midprice range. The most recent *Chain Store Age*/MarkeTrends poll, however, shows consumers once again heading toward the center.

According to the current study, only 27.8% of households now expect to pay less than $150 for a car stereo. This compares with 41.9% as recently as last August. The $150-$399 midprice range is the choice for 55.6% in the April survey, as opposed to 41.3% last summer. The top of the line (over $400) is holding steady at 16.6%.

Higher price expectations are good news in what is otherwise a stable market. The number of households that anticipate buying an auto stereo in the next year has remained remarkably even. In the April survey 3.3% report that they intend to buy a car sound system in the next 12 months, almost equal to the 3.3% who responded favorably eight months ago.

How much do you expect to pay for a car stereo?

	August '84	April '85
Less than $150	41.9%	27.8%
$150-$399	41.3%	55.6%
Over $400	16.6%	16.6%

Source: Chain Store Age/Leo J. Shapiro & Associates

The Electronics Industries Association (EIA) projects factory shipments of car audio equipment to rise in value from $2.5 billion in 1984 to $2.6 billion this year. The majority of sales, says the EIA, will be as part of new car installations. ☐

Kraco
Jensen

Consumers expect to pay more for car stereos this year than in '84.

Is the boom box boom going bust?

The good news for discounters is that they continue to gobble up the market for boom boxes. The bad news is that consumers expect to pay less and are expressing decreasing interest in buying a portable stereo.

Nearly 1 out of 4 boxes (24.5%) are now sold in discount stores, according to *Chain Store Age* MarkeTrends. Just last August discounters grabbed 17.1% of unit sales. The gains come mainly at the expense of specialty stores which saw their market share drop from 25.3% eight months ago to 18.8% in the most recent survey.

The amount consumers expect to pay for a boom box is also dropping.

Discounters up boom box share

	Aug. '84	Apr. '85
K mart	5.1%	5.7%
Other discounters	12.0	18.8
Sears	10.1	11.2
Ward	11.5	3.3
Penney	8.1	4.8
Department stores	10.6	9.4
Catalog showrooms	10.1	6.6
Specialty stores	25.3	18.8
All others	10.2	21.8

Source: Chain Store Age/Leo J. Shapiro & Associates

In August the median those polled intended to pay for a portable stereo was $150. The current study sees that figure falling to $135.

According to the survey, fewer consumers say they intend to buy a portable stereo in the next year. For the second consecutive month the number of households that report they expect to buy a boom box has dropped. In February the figure marked 4.5%, slipping to 3.4% in March and 3.2% in the latest poll.

However, the active market (those who have actually done some shopping for a portable stereo in the last 30 days) is actually rising and may presage better sales than the other figures indicate.

As the market for boom boxes begins to mature, vendors are attempting to rekindle consumer interest with both fashion colors and smaller design (see *CSA*, March 1985), hoping to capture repeat sales. For now, the trend seems sure only in innovator markets. ☐

VCRs "R" Us?

Even when it makes a mistake, it is fun to watch Toys "R" Us.

Saddled after Christmas with unacceptably high inventory levels in games for the Atari 2600, what do they do? They mark down the price for some of the discontinued game machine's cartridges and then persuade one vendor—Parker Bros.—to offer a rebate equal to the selling price.

The consumer's net price is the 22¢ it costs to mail in the rebate coupon. The setup ought to clear out the troublesome game inventory with maximum damage control and increased consumer goodwill.

Innovative as the scheme may be, it is even more fun to watch Toys "R" Us when it is doing the kind of progressive retailing usually expected of it. With all the fuss some industry observers have made over the toy chain's disappointing electronics sales last year, it is easy to forget that over the long run Toys "R" Us has followed the electronics trend profitably.

Far from discouraged by its experience, the toy chain is now waiting for yet another electronics wave to ride. In late January Toys "R" Us president Norman Ricken suggested to a group of retail stock analysts that if the price of video cassette recorders dropped to "a few hundred dollars," the toy chain would consider stocking some low-end VCRs.

The low-end of the market is already approaching Ricken's unspecified price. It now seems nearly inevitable that Toys "R" Us will expand the definition of toy to include America's favorite adult plaything and add VCRs to its traditional merchandise mix.

Nor is it likely that Toys "R" Us will be the only nontraditional electronics retailer looking to ride the VCR sales swell. With the Electronics Industries Association projecting 9.5 million VCRs shipping to dealers this year and others upping that estimate to 11 million, watch for additional retail entrants. Food and general merchandise combination stores look like a good bet.

In fact, any retail outlet currently selling televisions is a likely addition to the distribution channel. Television sales seem to have leveled off from last year's brisk pace. Zenith Electronics is projecting industrywide sales will be fl[illegible] this year. *Chain Store Age* Ma[illegible]Trends research indicates a drop in consumer interest in buying a TV this year. More and more retailers will turn to upward trending VCRs to offset television's [illegible] even sales.

Of course, the other opportunity VCRs present this year is the entry of new vendors. The South Koreans and Taiwanese have received the most attention. The widely held expectation is that they will open up the low end of the market to a whole new group of consumers who were shut out of the first sales jump.

But also don't count out the Europeans. The strong U.S. dollar may make the American market a tempting target for European manufacturers. Already, Sharp Electronics has opened a British VCR manufacturing facility and hints that the plant may be used to meet unexpectedly high demand in the United States.

If the dollar continues to outpace European currencies, manufacturers on the continent might also see the profitability of VCR exports to the U.S.

Asked recently his opinion of the Korean and Taiwanese entry into the American VCR marketplace, a major Japanese vendor replied: "I'm not the least bit worried about the Asians. I [illegible] worried about the Europeans."

—*Rick Gallagher*

Cookware is high on shoppers' lists

Although buying intentions declined in 8 out of the 12 categories tracked by *CSA*/Leo J. Shapiro & Associates, the areas where buying intentions are heating up show promising growth.

Cookware, pots and pans, for example, appear to be high on consumer's shopping lists with 7.1% of those surveyed responding that they might buy these items within the next 12 months. This is the highest response for the cookware category in the four months it has been gauged by *CSA* MarkeTrends.

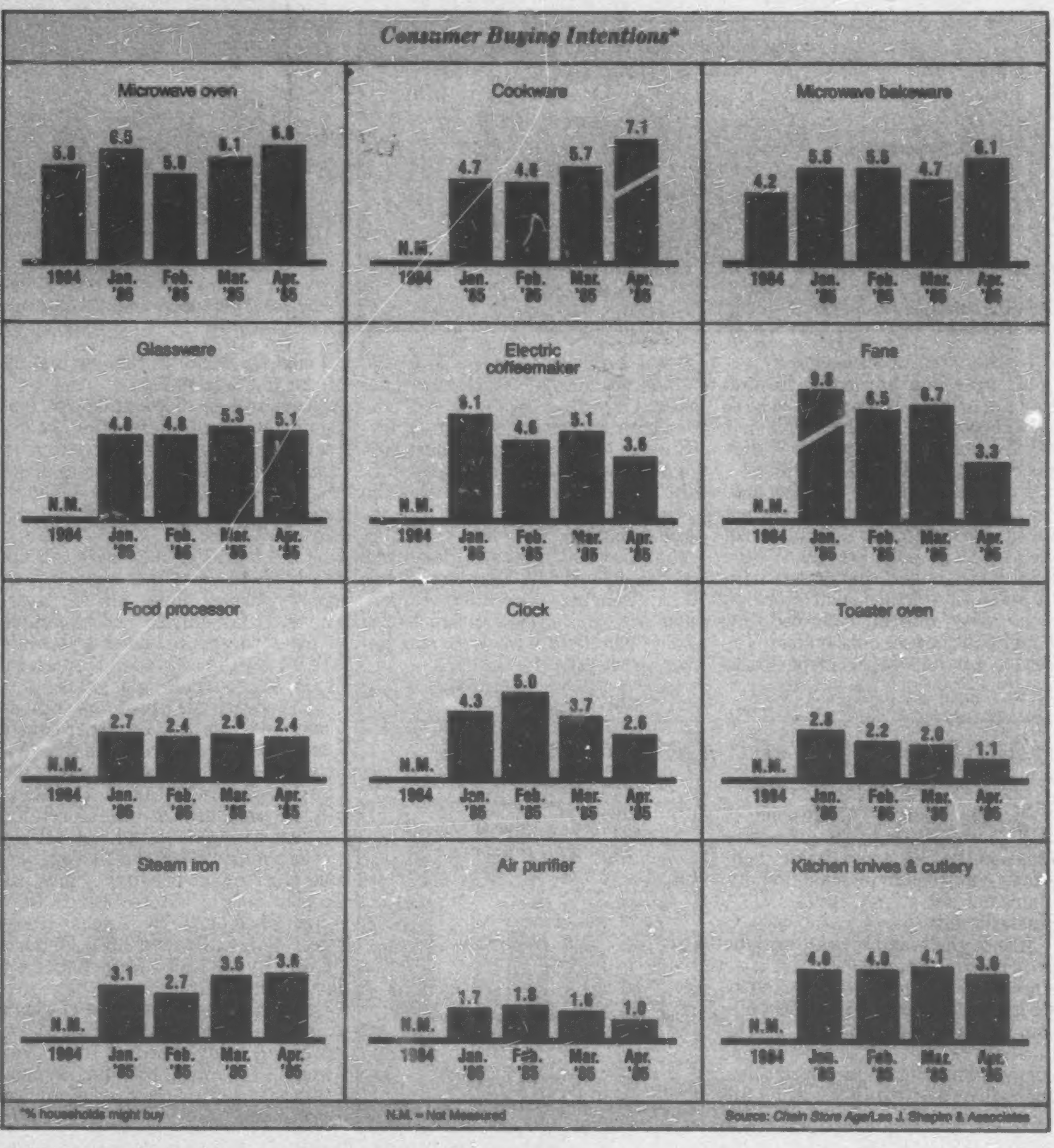
The other areas shoppers plan to be in the market for are microwave ovens, microwave bakeware and accessories and steam irons.

Less likely to be important in shopper's minds are the following categories: glassware, electric coffeemakers, fans, food processors, clocks, toaster ovens, air purifiers and cutlery.

Consumer interest especially waned in the fan category which dropped from a 6.7% shopping intensity rate in March to only 3.3% in April. Consumers also reported less of an interest in purchasing electric coffeemakers. Since January, that percentage fell from 6.1% to 3.3%.

Cutlery is showing a significant decline in buying intentions with the percentage down to 3.6% from 4.1%. □

*Consumer Buying Intentions**



*% households might buy

N.M. = Not Measured

Source: *Chain Store Age*/Leo J. Shapiro & Associates

Price is the cutting edge in cutlery

One clear message that can be gleaned from this month's *CSA* MarkeTrends research on cutlery is that shoppers are willing to wait for a sale.

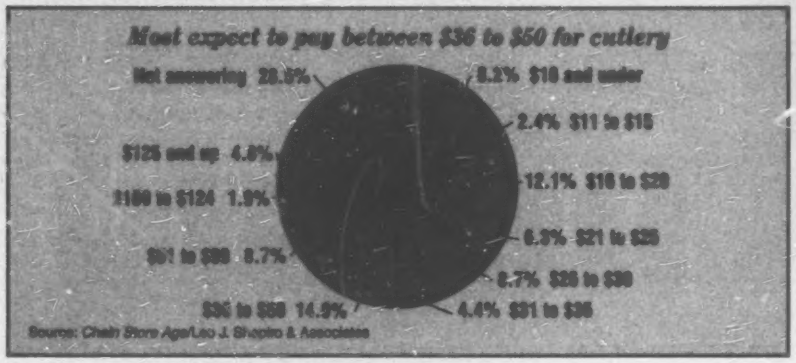
Almost 60% of those surveyed who recently purchased cutlery did so at an "on sale" price. That is not surprising considering that about 38% signaled that price/discount would be the factor helping them decide where to purchase cutlery.

Hammering home the importance of price is the fact that close to 60% responded that they would put off the purchase of cutlery if they needed to curb family spending.

Despite the desire for discounts on cutlery, discount stores are not always the shopper's first outlet choice. Twenty-six per cent of the survey responded they last bought at a full line department store. A close 23%, however, indicated they bought cutlery at a discounter. The reason full-line department stores have the edge is because they flagrantly discount the well-established brands to generate cutlery traffic.

Consumers may look for a discount, but they are willing to pay a handsome sum for the cutlery. About 31% of those surveyed expect to pay between $36 and $100. Sets were more popular, with 27.2% of the *CSA* survey responding they would purchase a set vs. 17% who would opt for open stock individual pieces.

There are some strong brand loyalties in this category. Almost 30% of the respondents were very sure the brand they mentioned was the one they definitely wanted. The national brand receiving the most mention was Chicago Cutlery with 14.3%, followed by Ekco with 6.5%, J. A. Henckels with 3.9%, Wilkinson with 2.6%, Old Hickory with 2.6%, Sheffield with 1.3% and Revere with 1.3%. ☐


Most expect to pay between $36 to $50 for cutlery

Source: Chain Store Age/Leo J. Shapiro & Associates

Shoppers upgrade glassware tastes

Discounters are losing some of their sparkle in the glassware areas as the Big 3 and department stores gain customers looking for upgraded selections, reveals *CSA* MarkeTrends.

Although discounters are still the preferred outlet, the gap has closed since the category was tracked in December of 1983. At that time, discounters commanded 43% of the business vs. 31% in the most recent survey. The Big 3 improved their share from 9.1% to 18.3% while full line department stores were mentioned by 26.9% in this survey, up from 15.2% in 1983.

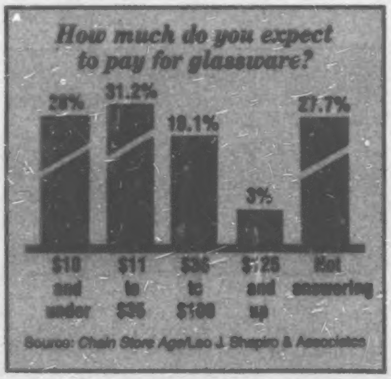
One reason discount stores lost some favor, retailers offer, is because price is not as important in glassware today as it was in 1983. Says a Davison's source, "Today's shopper wants better, more attractive glassware."

CSA MarkeTrends backs this up: In 1983, 40.6% of those queried expected to pay under $10 for glassware. Today, only 28% of the sample expect to spend under $10 while 31.2% say they will spend anywhere from $11 to $35 for glassware.

Glassware shoppers are not as sale conscious as many other housewares category consumers. Although 48.4% of the households did buy glassware on sale, a significant 34.4% purchased at the full retail.

The strongest brand was Libbey with almost 28% of the survey mentioning it as the brand they most recently bought. Store brands were mentioned by 16.7%, Anchor Hocking 7%, J. G. Durand 2.6%, Fostoria 2.6%, Pyrex 1.8%, Waterford 1.8% and Lenox 1.7%.

When asked what type of glassware they would shop for, 42.8% indicated they wanted everyday items. However, 8% did respond that they were in the market for fine glassware. ☐


How much do you expect to pay for glassware?

Source: Chain Store Age/Leo J. Shapiro & Associates

Upgraded glassware selections attract more shoppers.

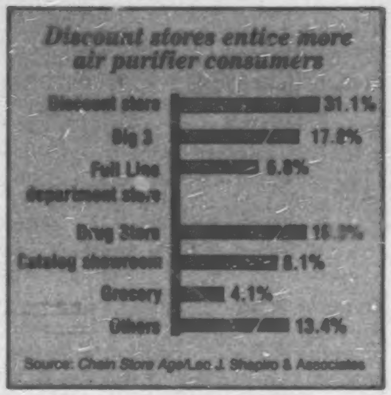
Room to grow in air purifiers

The air purifier market remains one that is relatively untapped and in need of better consumer education.

According to *CSA* MarkeTrends research, there is only an 11% market penetration of air purifiers. Although this rises to 17% when looking at households in which someone has an allergy, it is still basically open for future growth.

What is also interesting is that consumers now turn to the purifiers to remove dust and pollen from the air rather than to mask or eliminate odors. Almost 60% of the sample reported that they would use an air cleaner for dust or pollen.

Surprisingly, consumers view the product as something for the entire household, rather than just for one person. To that end, most units are kept in a living room rather than bedroom.


Discount stores entice more air purifier consumers

Source: Chain Store Age/Leo J. Shapiro & Associates

The low saturation level suggests that consumers are not aware of the benefits of air purifiers. There is also potential for growth by encouraging multiple purchases for locating purifiers in bedrooms as well as living rooms.

Despite room to expand, shopping intensity has dropped in 1985, with those saying they may buy in the coming months declining from 1.7% in January to 1% in April.

Those who do buy prefer to do so at a discount store, with 31% of the sample responding that is where they last bought. The No. 1 brand they look for is Pollenex which was mentioned by almost 17% of the survey. Other brands mentioned included Honeywell and G.E. ☐

PL: More than a "cheap" alternative

Private label merchandise is hardly new to the housewares industry. Yet, the store brand vs. national name debate is once again in the limelight as retailers attempt to determine the proper route to serve today's affluent consumer.

At first glance, one would assume that this upwardly mobile two-income shopper would demand a national brand. After all, this is the shopper who knows her Cuisinarts, Henckels and Mikasas. She is also part of 20% of consumers who say they will not even shop a store that does not carry a certain well-known name, according to Isaac Lagnado, director of research at Associated Merchandising Corporation.

But this same customer is better educated than ever. She knows that many of the same companies that make the brands she pays the extra dollars for also manufacture store brands.

She is not only better informed, but this new customer seeks exclusivity. Carol Farmer, vp market development at American Can Company explains this phenomenon best: "Today's Yuppies [Young, Urban Professionals] like to buy pasta and cheese until they start finding that even Safeway carries pasta and cheese."

It is analogous to the glamorous world of cosmetics where women pay up to $20 or $30 more for a brand just to buy it at a chic location. That $50 bottle of Giorgio perfume loses some of its appeal (and some of its price tag) when it is sold (diverted) at the local drug store. The same thing happens when Lenox and Cuisinart start appearing at discounters.

Retailing expert Dr Alton Doody has witnessed this trend and he says that despite major manufacturers' resistance to sell discounters, there will be more national brands filtering through discount channels over the next three to four years. With that in mind, Doody does not blame department stores for offering some of their own private label at higher prices than name brands—if the private label offers exclusivity.

The need for private label is not limited to department stores. As more discounters and the Big 3 include the name brands, their margins erode because they try to stay price competitive. They too have a need to bolster margins via store brands.

What is the bottom line? It appears that the industry is becoming polarized. Shoppers now insist on finding at least some key name brands in a typical department. But they also want alternatives that are not necessarily just a "cheaper" offering. The lesser-known brand names are becoming less important and, in many cases, are being gobbled up by larger companies.

Instead of offering private label as a knock-off, the concentration should be on making it exclusive.

Indeed, private label is no longer just a copy of last year's most successful offering. Many private label sources had under-the-cabinet kitchen appliances out almost as fast as General Electric. Plus, retailers such as Sears have already jumped onto the newest trend in kitchen appliances—smoky gray colors.

Both private label and national brands can profitably co-exist. After all, says Max Garelick of BATUS, department stores still plan to do 65% to 85% of their business with branded suppliers.

"But what private label can do," he offers, "is provide the exclusivity, price flexibility and markup needed in the mix. It can fill what otherwise would be a void."

—Faye Brookman

Despite initial problems with the disc camera, photo buyers see it as a regular part of their merchandise mix, and have been expanding their selections.

Disc finds niche under autofocus

Although the disc camera will probably never gain the kind of widespread acceptance initially predicted for it, retailers continue to expand their mix of discs and expect modest sales gains from the camera, according to a *Chain Store Age* survey of buyers.

Last September Eastman Kodak introduced the third generation of film for the disc, which will be three years old in May. The improved quality of that film combined with lower price points for the camera helped boost unit volume about 20% this year to six million units. Christmas was counted a strong season.

Despite the disc's initial problems, photo buyers see it as a regular part of their mix and have been expanding their selections. The *CSA* survey found the disc carried by every retailer with a photo counter. Moreover, the number of brands stocked increased in one year from 2.2 to 2.8. Discount stores, in particular, upped their selection and now carry on the average three brands of disc.

Kodak produces the three best-selling disc cameras, according to buyers: the top-selling 4100, the 3100 and the 6100. Following Kodak in sales are disc cameras by Keystone, Minolta and Ansco.

Even with its penetration, however, the disc is not performing nearly as well as it was once hoped it would. The disc's sales gains last year came almost entirely at the expense of other cartridge cameras, like the 110. The disc has simply become the preferred cartridge camera, but it has not expanded the total business done by cartridge cameras. In 1985 disc sales are expected to increase about 15%.

Pressure on the disc continues to come from low-priced autofocus cameras, those retailing for under $100. Nearly half of all buyers surveyed by *CSA* felt that the introduction of the autofocus had curtailed sales of the disc. Only one other format, instant cameras, have been hurt more by the point-and-shoot 35mm cameras, the survey found.

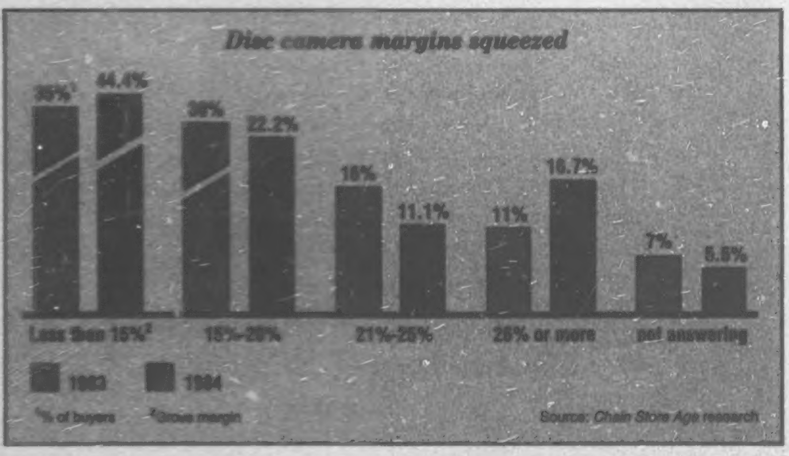
With cameras like the Canon Snappy selling well at $70 and companies like Ansco entering the low-end of the autofocus market, Kodak has dropped its high-end disc, the 8000, and now tops off its line with the 6100. According to buyers, the disc sells best at a price where it does not compete with the autofocus camera. Discount store buyers say that $30 is their preferred price for the disc, while department stores report that the disc sells best for them at just under $40.

One reason buyers are expanding their brand assortments, moving to unadvertised lines like Keystone and Ansco, is that margins for the Kodak discs remain low despite a slackening of the sales pace that characterized the disc's first year. Nearly 45% of all buyers responding to the *CSA* survey said they get a gross margin of less than 15% on the disc. Surprisingly, that group is nearly evenly divided between department and discount stores.

But several buyers pointed out that their margins are only that low on Kodak models. For unadvertised lines the gross margin jumps to somewhere between 21% and 25%. Even so, overall profit margins for the category remain unimpressive. Only 16.6% of those surveyed said they get more than 25% profit margin from discs. □

Kodak disc
Kodak

Buyers say Kodak produces the three best-selling disc cameras.



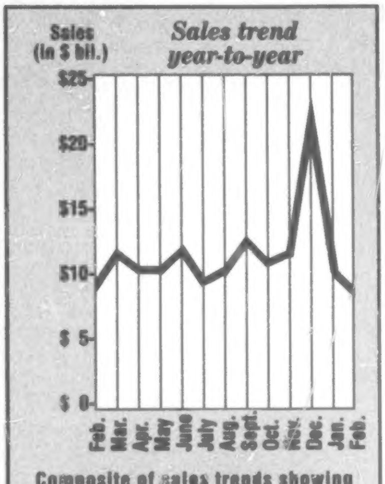
Source: *Chain Store Age* research

High promotions pressure margins

Economic reports of increased employment, more disposable income and high consumer confidence have not translated into significant sales gains at the retail level. The 25 chains tracked by *Chain Store Age* posted February sales up 7.8% over February 1984. The modest gain is the smallest year-to-year increase in over 12 months.

When a general merchandise inflation rate of 1% and the increased number of units operated this year are factored in, sales for February 1985 ran just about even with last year's unusually strong month.

Among the Big 3 catalog chains, J. C. Penney same-store results were up only 2.3% over last year. Montgomery Ward comparable unit figures edged ahead a meager 0.6%.



Composite of sales trends showing month-to-month sales volume for the 25 retail companies tracked by *CSA*.

The department stores looked like the month's only clear winners, but even their results must be tempered by the effects of continued high promotional pressures upon margins. Dayton Hudson reported February sales up a hefty 14.8%.

Mercantile reported comparable store totals rising 6.3% for the month and chainwide volume up 6.7%. Total sales for R. H. Macy increased 7.6% with store-for-store results gaining 5.7%.

At St. Louis-based May Department Stores, its Venture discount division outpaced the department stores with sales for Venture up 14.3% compared to 10.3% for the department stores. Same store results, however, show the department stores ahead 9.9% for February compared to 5.4% for Venture.

Bentonville, Ark.-based Wal-Mart continued to show dramatic sales increases with February totals 30.6% ahead of last year. Same-store results posted an 8% gain.

Stop & Shop discount division Bradlees marked a 4% increase, but with comparable store results running even with 1984. The Braintree, Mass.-based discounter cited slowing consumer interest in expenditures for general merchandise and both weak apparel and home furnishing sales for the lackluster performance.

Among the electronics specialists, Tandy reported a 1% decline for the month. Its U.S. Radio Shack division saw sales drop from $210 million a year ago to $207 million this year. Volume for City of Commerce, Calif.-based The Federated Group jumped 91% with same-store result up 9%.

February shows only modest gain

		Feb. Sales*		Stores		1-mo. sales*		
Major chains	% change	1985	1984	1985	1984	1985	1984	% change
Sears[1,6]	+ 2.4	1,445,784	1,411,784	871	886	1,445,784	1,411,784	+ 2.4
Penney	+ 4.1	690,000	663,000	1,994	2,012	690,000	663,000	+ 4.1
Ward[1]	− 1.6	385,851	391,758	366	368	385,851	391,758	− 1.6
Federated[5]	+ 7.8	503,600	467,300	455	404	503,600	467,300	+ 7.8
Dayton Hudson	+ 14.8	473,285	412,426	1,143	1,082	473,285	412,426	+ 14.8
May Dept. Stores	+ 13.3	288,700	254,800	1,875	1,598	288,700	254,800	+ 13.3
R. H. Macy	+ 7.6	302,200	280,800	96	93	302,200	280,800	+ 7.6
Allied Stores	+ 3.4	251,600	243,400	596	520	251,600	243,400	+ 3.4
Carter Hawley Hale	+ 13.5	257,400	226,700	269	241	257,400	226,700	+ 13.5
Associated Dry Goods	+ 14.6	249,600	217,900	333	321	249,600	217,900	+ 14.6
Mercantile	+ 6.7	98,057	91,868	78	78	98,057	91,868	+ 6.7
K mart[7]	+ 14.0	1,307,317	1,146,755	2,173	2,158	1,307,317	1,146,755	+ 14.0
Woolworth	N.C.	335,000	335,000	N/A	N/A	335,000	335,000	N.C.
Wal-Mart	+ 30.6	435,000	333,000	763	651	435,000	333,000	+ 30.6
Household Merch.[2,3]	+ 4.4	387,360	371,140	3,609	3,788	387,360	371,140	+ 4.4
T.G. & Y.	− 7.9	125,802	136,605	741	801	125,802	136,605	− 7.9
Zayre[4]	+ 13.2	174,371	154,076	853	755	174,371	154,076	+ 13.2
Bradlees	+ 4.0	76,200	73,300	132	127	76,200	73,300	+ 4.0
Murphy	− 2.4	54,069	55,389	383	403	54,069	55,389	− 2.4
Heck's	+ 7.4	30,300	28,200	125	122	30,300	28,200	+ 7.4
Jamesway	+ 17.1	25,569	21,840	85	78	25,569	21,840	+ 17.1
Melville	+ 5.9	270,229	255,162	5,891	5,736	270,229	255,162	+ 5.9
Tandy	− 1.3	207,261	210,014	N/A	N/A	207,261	210,014	− 1.3
Edison Bros.	− 13.3	63,300	73,000	N/A	N/A	63,300	73,000	− 13.3
The Gap	+ 5.3	29,800	28,300	622	549	29,800	28,300	+ 5.3
The Federated Group	+ 90.4	20,000	10,500	43	20	20,000	10,500	+ 90.4
Total & Averages	+ 7.8	8,361,853	7,757,412	—	—	8,361,853	7,757,412	+ 7.8

*000 omitted. N.C. = no change. N/A = not available.

[1] Store number for full-line outlets only. [2] Includes 2,692 franchise stores (vs. 2,763 a year ago). [3] Includes Von's and T.G. & Y. sales. [4] Includes 290 Zayre stores (vs. 275 a year ago), 407 Hit or Miss stores (vs. 362) and 156 T. J. Maxx stores (vs. 118). [5] Excludes supermarket sales. [6] Includes results from Sears Canada. [7] Store count includes K mart stores only.

Grace readies Herman's offering

W. R. Grace hopes to raise between $70 million and $82 million from an offering of 4.6 million shares of common stock in Herman's, its subsidiary of retail sporting goods stores.

The shares represent 41% of stock in Herman's, the country's largest sporting goods retailer. Grace will retain the other 59% of stock, leaving it as the majority owner of the operation. Each share is expected to fetch between $15 and $18.

Herman's will keep between $19.5 million and $23.5 million from the offering in order to retire some of its debt, freeing up capital for long-term expansion. Herman's recently debuted an off-price sporting goods store, Total Sports, in Hollywood, Fla.

Herman's currently operates 115 sporting goods stores in the Northeast, Midwest and mid-Atlantic states.

C5150-7

Chain Store Age

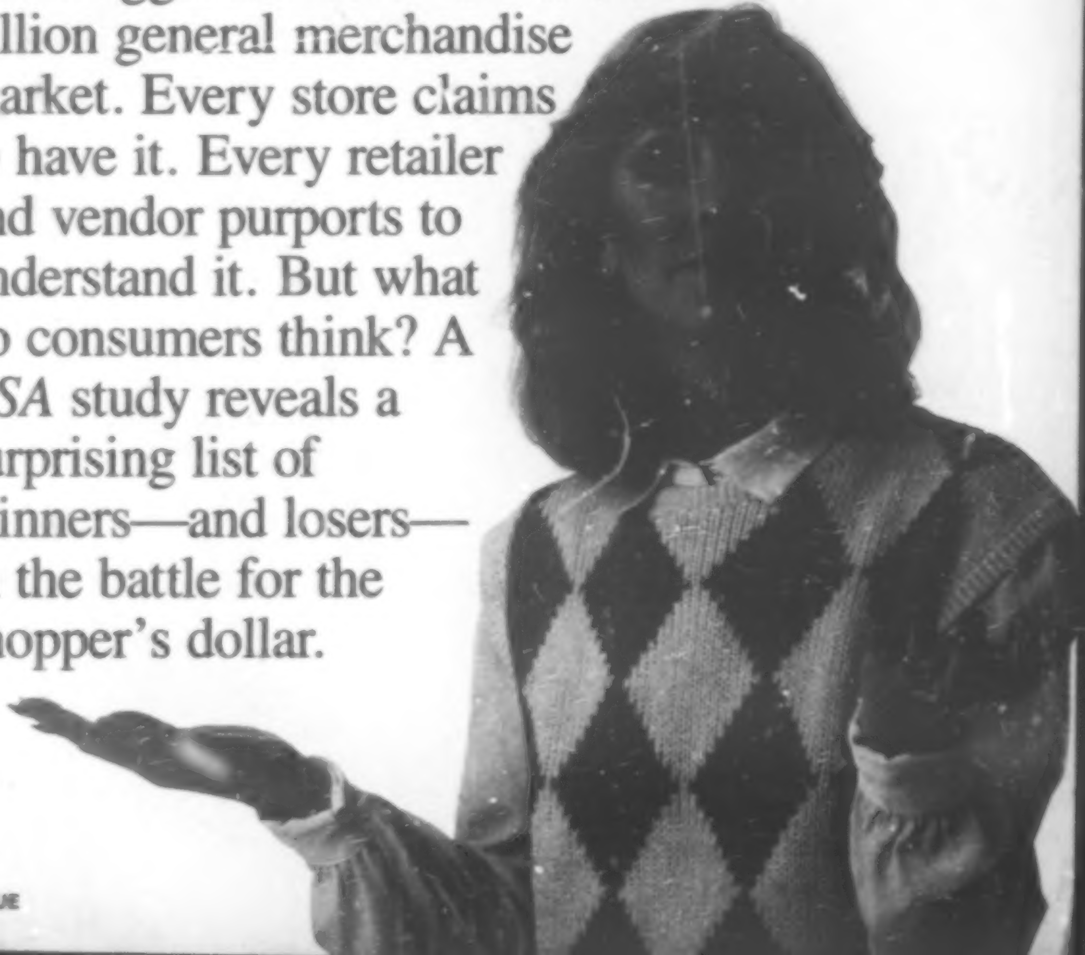
GENERAL MERCHANDISE TRENDS

May 1985

VALUE

WHAT IS IT? WHO HAS IT?

Value is the most potent weapon in the struggle for share of the $420 billion general merchandise market. Every store claims to have it. Every retailer and vendor purports to understand it. But what do consumers think? A *CSA* study reveals a surprising list of winners—and losers—in the battle for the shopper's dollar.



TWO DOLLARS PER ISSUE

CONTENTS

May 1985

Packaging puts a shine on better glassware 73

Industry Trends

Special Report: Consumer Value Study 13
Value is a complex equation. 14
Department stores are big winners. 19
Value: Some consumers will pay for it 32
Materials, guarantee alter shopping patterns. 59

Accessories

Is there life after Swatch? 61

Consumer Electronics

Commodore takes center stage with new entry. 65
CE MarkeTrends: Telephones, computer software, VCRs. 67

Housewares

Housewares MarkeTrends: Cookware, microwaves, coffeemakers 77

Home Textiles

Royal Velvet license program is a sure hit 83
New vinyls wet shower curtain sales 86
Embroideries set a contemporary table 88

Toys

Toy trucks shift into lower gear 91
Schaper stomps out the competition 92
The die is cast in die-cast vehicles. 93

Licensing

What next? Coca-Cola sportswear 95
Who knows 1985's hottest license? 97

Stationery

Embossed stationery making its mark 99

Photo/Camera

PL and Fuji film jostle for shelf space 101

Classified Mart 102

CHAIN STORE AGE General Merchandise Trends (ISSN 0193-1350) is published monthly by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Retailers: $12 a year; three years, $32. Wholesalers, manufacturers, schools, libraries and all others: $20 a year. Foreign subscriptions: Airmail only, $100 a year. Single copy rate $2. Second Class postage paid at New York, N.Y., and at additional mailing offices. Vol. 61, No. 5. Copyright © 1985 by Lebhar-Friedman Inc. All rights reserved.
ALL CORRESPONDENCE should be addressed to Executive Offices, Chain Store Age General Merchandise Trends, 425 Park Ave., New York, N.Y. 10022. For a change of address, six weeks notice to Circulation Fulfillment Director, 99 Park Ave., New York, N.Y. 10157, is requested. Give old and new address and zip code. If possible enclose address portion from cover on previous issue. Postmaster: Please send address changes to Chain Store Age, General Merchandise Trends, Subscription Dept., 99 Park Ave., New York, N.Y. 10157. Member Audit Bureau of Circulations, Second Class Mail Publications Inc., and Magazine Publishers Association.
Copyright © 1985 by Lebhar-Friedman Inc.

Consumers say value is more than quality divided by price

What is value? Experts contend they know. Who has it? Every retailer and vendor lays claim to it. Who doesn't have it? The other guy down the street. The ultimate arbiters in the definition of value, however, are neither experts nor retailers nor vendors. *Consumers* make the final choice with each dollar they spend.

An exclusive *Chain Store Age*/Leo J. Shapiro & Associates consumer study reveals how consumers in five markets—Los Angeles, Dallas, Atlanta, Chicago and Philadelphia—define value. The study is pragmatic. It accepts the idea that value is whatever it is that the consumer seeks in making decisions as to which store to shop or which product to buy. It rejects the idea that there is some abstract standard of value, defined by experts, that consumers "ought" to follow.

The survey finds value to be a subtle blend of a dozen factors and not just a simple equation. It reveals a surprising list of winners—and losers—in the battle for the consumer's heart and pocketbook. The traditional value equation—simply quality divided by price—proves no more appropriate to the modern retail environment than would the staid department stores of the past.

Further, the study lends credence to the belief that retailing in the 20th century continues to be a process of replacing older formats with new ones that offer greater value to the consumer. Yet each strategic decision to enhance value—whether it is in pricing, advertising, service or return policy—directly determines retailer and manufacturer costs.

Those who can deliver the greatest value for the least cost will reap the highest profits. ☐

CSA VALUE STUDY

VALUE IS A COMPLEX EQUATION

The *CSA*/Shapiro value survey involved over 1,000 telephone interviews in five U.S. markets. The results define what value means to consumers.

Merchandise quality and price are the two top factors in the value equation.

"Value isn't any single thing," says Richway chairman John H. Weitnauer Jr. The Atlanta-based discounter's top executive expresses both the problem and the answer to the value question. Most retailers long ago abandoned the simple "quality divided by price" formula for figuring value, but a new equation has yet to replace the old.

The *Chain Store Age*/Leo J. Shapiro & Associates consumer study reveals a new, more complex and more realistic formula. The result of 1,008 telephone interviews sampled in roughly equal numbers in five markets, the survey answers four basic questions:

- Who has value;
- What is value;
- How does value change consumer shopping patterns, and
- How does value for products differ from retailer value?

The poll raises an additional question of its own: Can retailers tagged as the best value providers turn their consumer kudos into profits?

Who has value: Sears Roebuck and Co. is the clear winner in the fight for the consumer's value vote. In three of the five markets studied in the *CSA*/Shapiro poll, respondents pegged Sears as the store that delivered the best value.

When asked to name a store where they shop for clothing and things for the home, and that provides the best value, consumers named Sears more often than any other national chain and more frequently than almost any regional retailer.

When consumers bypassed Sears they did so in favor of a department store. In Atlanta, Rich's copped top honors by a wide margin, while John Wanamaker in Philadelphia edged out Sears. In Chicago, Dallas and Los Angeles, shoppers chose Sears, followed by a department store.

Department stores, according to the poll, are also the most frequently shopped retail outlets. Almost 98% of the survey sample has shopped a department store in the last year. This compares to the 80.1% who have shopped discount stores, 79.2% who have bought at Sears, and 58.1% who have shopped variety stores. Another 42.4% say they have visited catalog showrooms in the last year.

Are department stores, then, synonymous with value? The *CSA*/Shapiro study shows that while department stores may be top-rated, they do not have a strangle-hold on the consumer's notion of value.

What value is: True to conventional wisdom, merchandise quality and price are the top two factors in the value equation, according to consumers in the *CSA*/Shapiro poll. Store location ranks a close third (see chart). But in a surprising result, not even merchandise quality is ranked of high importance by more than 1 in 5 survey respondents.

To determine precisely how consumers figure the value formula, survey respondents were asked to rank the relative importance of 12 different factors that go into the decision of choosing a store to shop. For convenience, these scores were then converted to rankings of high (7-9), medium (4-6) and low (1-3) importance.

Consumers in the poll give "the quality of the merchandise" the highest score with an average rank of 5.37 and 21% of those answering saying it has high importance. "Prices they charge" follows with a mean rank of 4.76 and 15% saying it has high importance. "Location of the store" comes in third with an average score of 4.58 and 14% in the poll reporting it has high importance.

But the poll's results clearly show that in making judgments on stores that offer the best value, consumers respond to a number of different factors and not just quality products at low prices in convenient locations. Retailers, in allocating re-

DOLLAR
DAYS
ONE DOLLAR
DOLLAR
DAYS
WEAR

Upscaling may prop up discounters' sagging quality perceptions.

Value: not a simple equation

How much would you be influenced by the following?

Factors	Importance			Mean rating
	High (7-9)	Middle (4-6)	Low (1-3)	
Quality of merchandise	21%	66%	13%	5.37
Prices	15	60	25	4.76
Location of store	14	56	30	4.58
Looks of the merchandise	8	64	28	4.34
How much enjoy shopping there	11	59	30	4.28
Sales and specials	7	55	38	4.05
How clean the store is	4	60	36	4.04
Return or exchange policy	7	53	40	4.09
Assortment	6	54	40	3.94
How well stocked	3	59	38	3.85
Sales help	6	52	42	3.82
Advertising	2	34	64	2.93

Source: Chain Store Age/Lee J. Shapiro & Associates sources to enhance value, cannot, by implication, ignore any single factor.

Consumers in the poll rank the looks of the merchandise, how enjoyable the shopping experience is, sales and specials, store cleanliness and return policy all of almost equal importance.

Seen in the study's light, much of retailing's recent wave of repositioning and reformatting can be characterized as continuing efforts to respond to consumer value demands. Discounting's torrent of upscaling, Target's continuing success, and K mart's addition of more brand name merchandise, in particular can be seen as efforts to prop up discounting's sagging quality perceptions while maintaining traditionally strong advantages in both price and location.

Consumers rank a store's cleanliness and return policy of equal importance.

As the survey makes clear, unless consumers believe that a store offers the quality of merchandise they want, then prices and convenience of location are not relevant. They only make a difference in choosing between stores that offer merchandise of the quality the consumer wants.

Different definitions: The study, of course, does not show that only the stores that offer the finest quality merchandise have a chance at gaining the consumer's value vote. Different groups of consumers are interested in different levels of quality and define value differently.

Consumers with high incomes are more likely to rank merchandise quality of high importance, according to the survey. Consumers with family incomes of $40,000 and more make up one-third of those most concerned about quality, but only 21% of those who say quality is of middle importance, and 16% of the group that ranks quality of low importance.

Sales help takes on a greater role in the value equation for younger shoppers—those that are just beginning to shop for themselves. Among those who say that sales help is very important in deciding value, 23% are under the age of 25. This compares to the 14% of those who assign low importance to sales help and are under the age of 25.

Those who rank price as a top determinant in the value formula present a more complex relationship, according to the study. Chief breadwinners in the family are more likely to rank price of high importance than those who are not the family's prime source of income.

Family income proves a better predictor of the price/consumer relationship. The survey shows that concern about price decreases as family income increases. Only 19% of the group that says price is of high concern to them in choosing a store to shop have incomes over $40,000. But 30% of those with low concern for price have a family income of more than $40,000 a year.

Changing patterns: Where customers shop is directly related to their definition of value, according to the poll. Seventy per cent of shoppers at department stores, the study's near across-the-board winners, report that they are shopping the full-line outlets with equal or greater frequency in the last year.

This compares to the 73% of discount store customers, 61% of variety store shoppers and 57% of catalog showroom customers who say they are going to these outlets with more or the same frequency this year.

Consumers in the study who say they value merchandise quality report that they are doing more of their shopping at full-line department stores this year and less at the Big 3 catalog chains. Conversely, customers who rate price of top importance in the value formula are buying more at Sears, Penney and Ward, while visiting department stores less often.

Price, according to the study, seems to have no effect upon who shops off-price apparel stores. In what might be a reversal of normal logic, the *CSA*/Shapiro poll indicates that the real draw to the off-price apparel specialist is merchandise quality.

The number of consumers doing more of their shopping at off-price apparel stores is the highest among those who give the most importance to merchandise quality (24%), followed by those who rank quality of middle importance (18%) and customers who say quality is of little value (15%).

Value blend: Consumers, however, do not make shopping decisions based entirely upon any single value component. Customers weigh and choose from among a variety of characteristics before they decide which store gets their value vote.

For this reason, retailers can not entirely ignore any single value component and remain competitive. A retailer that dominates a market by offering the best price, for example, immediately becomes vulnerable to attack from another retailer who cannot only match his price, but also offer some other value component—better sales help, cleaner stores, or a more enjoyable shopping experience.

This, in part, explains the strong value position of department stores in the *CSA*/Shapiro study. Both by design and in response to economic conditions and bloated inventory levels, department stores have moved into more price promotional positions. At the same time they maintain strong advantages in traditionally strong areas such as fashion, cleanliness and broad assortments. The combination apparently has paid off with increased consumer value perceptions and sales. ☐

In Philadelphia, which store has the best value for . . .?

	Sears	J. C. Penney	John Wanamaker	Gimbels	Bloomingdale's	Bamberger's	Strawbridge & Clothier	Other dept. stores	K mart	Clover	Other discount stores
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Men's wear	17.9	8.5	10.8	11.1	2.8	10.5	10.9	8.5	2.8	2.8	8.5
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Cosmetics	8.2	4.4	20.2	10.9	4.4	10.6	17.2	8.2	6.3	2.7	2.7
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Home electronics	20.6	6.2	9.9	12.3	—	12.3	7.4	6.2	3.7	1.2	1.2
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Housewares	27.1	9.0	5.4	10.8	3.6	12.0	9.9	7.8	7.8	4.8	1.8
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sporting goods	30.0	8.8	11.3	7.5	—	2.5	7.5	5.0	16.3	2.5	2.8
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Stationery	13.2	6.6	29.9	6.8	4.4	3.3	8.8	7.7	15.4	8.8	2.2

Source: Chain Store Age/Leo J. Shapiro & Associates

Value: department stores score big

Shoppers rate department stores as big value providers. More visits to full line stores back this score.

It has been fashionable in business circles to forecast the downfall of the dowager department store tier of retailing. Apparently, no one told the public.

While it is true that consumers have flocked to off-price stores and other competing outlets, more shoppers rate department stores as providers of value than any other retail concept. And they have backed up that assessment with more visits to the traditional full-line stores.

On a cumulative group basis, according to the *CSA*/Shapiro study of five markets, department stores outdistanced their nearest competitors, the Big 3, in delivering value based on merchandise departments and overall store attributes.

Department stores pulled in a 71.1% score for their merchandise vs. 68.2% for the Big 3, and a 72.8% rating for attributes vs. a 55% mark for Sears, Penney and Ward. If the scores for specialty department stores such as I. Magnin and Bonwit Teller are added to the traditional department stores the ratings would jump to 80.5% for merchandise and 84.3% for attributes.

Discount stores received overall scores of 45.5% for merchandise and 36.7% for attributes, while specialty stores scored significantly higher for merchandise (69%) than they did for attributes (29.2%).

The payoff: In four of the five markets surveyed, the leading department store reaped the benefits of turnaround efforts. Wanamaker's, Marshall Field, Rich's and Broadway all rebounded from marketing positions that were extremely vulnerable just a few years ago. Only Sanger Harris came in No. 1 in its market without having had to un-

In Philadelphia which store has . . .

	Sears	Penney	Bloomingdale's	John Wanamaker	Gimbels	Bamberger's	Strawbridge & Clothier	Dry Goods	K mart	Clover	Jeff. Ward
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Good service	19.8	5.9	1.5	13.4	3.9	6.4	12.9	1.5	3.8	3.8	—
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Always find what I want	14.9	6.4	2.9	11.4	5.9	10.4	11.9	1.0	4.5	3.3	0.5
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Big selection	21.3	4.9	1.5	14.4	5.9	12.9	10.9	1.5	5.4	2.5	1.0
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Good location	12.9	5.4	[illegible]	14.9	8.9	7.4	12.4	0.5	8.4	3.5	0.5
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Great sales	12.9	3.5	1.5	9.4	11.9	12.4	12.9	1.0	6.9	4.0	2.5
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fashions and looks I want	7.4	4.5	[illegible]	20.3	6.9	11.9	12.4	1.0	1.5	2.0	1.0
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Easy checkout	16.3	4.5	2.5	10.4	6.9	7.4	14.9	1.0	5.9	3.0	—

Source: Chain Store Age/Leo J. Shapiro & Associates

In Dallas, which store would you say has the best value for . . .?

	Sears	Montgomery Ward	J. C. Penney	Sanger Harris	Joske	Dillard's	Marshall Field	Other department stores	K mart	Target	Wal-Mart	Other discount stores
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Men's wear	23.7	5.9	12.6	23.0	5.9	15.6	—	6.7	2.2	2.2	0.7	1.5
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Cosmetics	10.7	3.9	5.8	37.9	3.9	10.7	—	3.9	8.7	10.7	1.9	1.9
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Home electronics	39.0	9.1	6.5	15.6	1.3	9.1	—	—	9.1	3.9	1.3	5.2
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Housewares	22.4	7.3	9.7	13.9	3.6	9.7	0.6	1.2	13.3	11.5	1.8	4.8
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sporting goods	39.4	7.4	4.3	10.6	3.2	3.2	—	—	9.6	13.8	5.3	3.2
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Stationery	9.1	5.2	5.2	14.3	2.6	5.2	—	2.6	28.6	18.2	5.2	3.9

Source: *Chain Store Age*/Leo J. Shapiro & Associates

dergo extensive repositioning.

On the other hand, the payoff, at least in consumer perception, still awaits J. C. Penney's efforts to transform itself into a viable department store alternative. Penney trailed most department store companies in the respective market and substantially lagged behind Sears.

Penny's strongest locale was Los Angeles where it virtually tied the Broadway for second place behind Sears. But in Atlanta, where it first unveiled its repositioning strategy in a major way, Penney came in a distant fourth behind Rich's, Sears and Davison's.

Penney executives vigorously argue that they have moved away from Sears as a provider of basic, mass market apparel, accessories and home goods. But the public failed to respond to the initiatives, in the *CSA*/Shapiro study.

An equal number, 7%, said Penney and Sears carried the "fashions and looks I want." Individual department stores averaged about 10%.

Furthermore, at 7%, Penney registered less than half of Sears' 15% and 4% less than the average score for department stores when it came to being known for carrying quality merchandise.

But all is not doom and gloom for Penney. It has infiltrated the department store ranks. In Los Angeles, compared to the May Co., consumers said Penney's value was better in eight merchandise departments. Significantly, respondents chose Penney in all three apparel areas as well as domestics.

Los Angeles blue light blues: While Los Angeles may be Penney's top market, it ranked as the poorest for K mart. Consumers there gave K mart its lowest scores for merchandise and attributes.

A mainstay department such as children's wear earned just a 1.4% value rating in Los Angeles compared to 9.7% in Dallas and 9.9% in Chicago. Similarly, sporting goods received a 2.6% score in Los Angeles and 16.3% in Philadelphia and 9.6% in Dallas.

K mart also suffered in Los Angeles when consumers evaluated stores based on their attributes. Respondents gave K mart just a 4% approval for having good everyday

In Dallas which store has . . .

	Sears	Ward	Penney	Dillard's	Joske	Sanger Harris	Bloomingdale's	K mart	Wal-Mart	Target
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Good service	17.0	4.5	8.0	10.5	2.0	16.0	1.5	4.5	1.0	3.5
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Always find what I want	21.0	3.0	6.0	3.0	3.5	16.5	0.5	6.5	2.0	7.0
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Big selection	25.0	6.0	8.5	6.5	2.0	18.0	1.5	6.0	2.0	6.0
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Good location	15.5	4.5	6.5	6.0	4.0	10.9	0.5	11.5	4.0	2.5
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Great sales	12.5	6.5	8.5	8.5	4.5	12.0	—	9.0	3.5	10.0
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fashions and looks I want	5.5	4.5	8.0	11.0	5.0	25.5	2.0	2.0	1.5	1.5
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Easy checkout	13.5	2.0	9.5	13.0	5.5	13.6	1.5	6.5	2.0	4.5

Source: *Chain Store Age*/Leo J. Shapiro & Associates

In Chicago, which store would you say has the best value for . . .?

	Sears	Montgomery Ward	J.C. Penney	Carson Pirie Scott	Wieboldt	Marshall Field	Other department stores	K mart	Venture	Zayre	Other discount stores
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Men's wear	27.8	9.5	11.7	13.1	2.9	21.2	2.9	5.1	2.9	2.9	0.7
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Cosmetics	12.7	2.0	5.9	21.6	4.9	33.3	—	5.9	6.6	3.9	1.0
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Home electronics	45.7	12.3	11.1	3.7	1.2	7.4	1.2	8.6	3.7	4.5	—
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Housewares	29.1	12.7	18.9	1.8	7.9	14.6	—	8.5	7.9	6.7	—
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sporting goods	37.3	9.3	13.3	2.7	1.3	4.0	—	12.0	14.7	4.0	1.3
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Stationery	14.3	6.0	8.3	7.1	4.8	14.3	—	19.0	15.5	9.5	1.2

Source: *Chain Store Age*/Leo J. Shapiro & Associates

prices compared to 15% in Atlanta and 12% in the other cities.

More discouraging, despite its efforts to improve its image by including more brand names displayed in more vibrant presentations, K mart earned hardly a mention as a store that offers quality.

The *CSA*/Shapiro study found just 2% of the sample nationwide thought of K mart as a good store for quality merchandise. By comparison, Montgomery Ward, with representation in just three markets, secured a 2.8% mention for quality, Penney had 7% and Sears 15%.

Tumbling tools: Among the new television commercials currently being aired by Sears is one entitled "falling tools." As a boxload of tools tumbles down the side of a mountain the announcer advises viewers that should Craftsman tools ever malfunction, for any reason, Sears will replace them.

It's an effective, dramatic spot, one that reinforces what consumers told *CSA*/Shapiro is the premier attribute Sears possesses—the best return policy.

As the nation's largest retailer Sears enjoys overwhelming customer acceptance. Just under 8 out of 10 households (79%) said they shopped Sears in the last year. K mart achieved 75% penetration.

But visits alone do not make a retailer strong. Sears has been able to pound together a one-two combination of merchandising and operational strengths that at times appears almost too hard to believe.

Take toys, for example. After renewing a commitment to year-round toys only in the last few years, Sears has established a reputation that beats K mart and, in Philadelphia, exceeds the total for all full-line discounters.

Another Sears campaign, to make its stores and merchandise more appealing, seems to be winning converts. Customers generally gave Sears middle to high figures vs. its competitors when asked to name stores in which they enjoyed shopping.

Nevertheless, Sears is not without problems. The most glaring one is survey respondents indicated they are shopping less often at Sears today compared to a year ago. ☐

In Chicago which store has . . .

	Sears	Ward	Penney	Carson Pirie Scott	Marshall Field	Wieboldt	K mart	Zayre	Venture
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Good service	16.1	6.0	8.5	7.5	20.8	3.5	6.0	2.5	3.5
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Always find what I want	17.6	5.5	7.0	6.0	15.6	1.5	7.0	3.0	7.5
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Big selection	23.6	5.0	9.5	7.5	19.6	2.9	5.5	3.5	7.0
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Good location	19.1	4.0	5.5	7.5	15.1	1.5	11.6	6.0	9.0
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Great sales	12.6	3.5	10.1	5.0	10.1	3.0	11.1	5.0	13.1
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fashions and looks I want	11.6	4.0	9.5	9.5	16.1	2.0	3.0	1.0	4.5
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Easy checkout	15.6	7.0	9.6	6.0	15.6	2.5	8.5	4.0	9.0

Source: *Chain Store Age*/Leo J. Shapiro & Associates

In Atlanta, which store would you say has the best value for . . .?

	Sears	J. C. Penney	Rich's	Richway	Davison's	Other department stores	K mart	Wal-Mart	Zayre	Other discount stores
Women's clothing	5.6%	9.4%	39.4%	6.3%	26.9%	4.4%	4.4%	1.9%	1.3%	0.6%
Men's wear	12.7	11.5	30.5	5.1	21.7	4.5	2.5	1.3	1.3	—
Children's wear	18.6	15.2	26.2	9.7	12.4	1.4	11.0	2.1	2.8	
Cosmetics	5.1	6.6	30.4	13.1	26.3	2.2	6.6	—	0.7	—
Domestics	14.0	13.4	26.2	11.0	16.9	2.3	11.0	0.6	2.3	1.7
Home electronics	26.4	9.6	28.8	8.8	14.4	0.8	8.0	0.8	0.8	0.8
Photo	21.9	7.6	27.6	6.7	7.6	1.0	15.2	2.9	1.9	6.7
Housewares	21.2	10.6	21.2	11.2	14.0	1.7	14.0	—	2.8	3.4
Hardware	57.5	3.1	3.9	8.7	3.1	—	15.7	2.4	3.1	0.8
Sporting goods	41.1	7.3	8.9	10.5	6.5	0.8	26.2	2.4	1.6	—
Toys	25.8	9.7	9.7	15.1	3.2	—	25.8	3.2	6.5	—
Stationery	10.1	12.6	20.2	16.8	10.1	3.4	22.7	0.8	2.5	—

Source: *Chain Store Age*/Leo J. Shapiro & Associates

Rich payoff for Rich's

Two years ago an Atlanta retailer told *Chain Store Age* that Rich's "image is not what it was five years ago when it was the ony retailer in town. Atlanta has changed too, and the old store loyalties just aren't there anymore."

In the intervening two years Rich's has spruced up its stores and has become more aggressive as it responded to the challenge posed by Davison's.

Consumers, too, have responded. By a wide margin over Sears and Davison's, Rich's emerged as the No. 1 value store in Atlanta. It copped first place for both merchandise and store attribute value ratings.

Rich's No. 1 position cannot be explained away as merely a reflection of its nearly double sales volume compared to Davison's. Both stores enjoy comparable penetration of customers with incomes in $35,000-$50,000 range. Rich's customer base is 62% while Davison's is 57%, according to local surveys.

Rich's dominated Davison's and Sears in all apparel areas, cosmetics and domestics. It tied with Sears for housewares and edged Sears slightly in consumer electronics. Davison's finished far back in both areas.

The strength throughout the store bears out the comment of Chuck Frew, vp/regional stores, that Rich's attempts to meet the shopping needs of all of its customers.

***Rich's won first** place in both merchandise and store attribute ratings.*

It also is hard to argue with Frew when he says that Rich's continuing commitment to customer satisfaction and a liberal return policy have fostered customer loyalty.

Its score for having a good return policy was 33.3%, far and away the best percentage achieved by any store in the five markets *CSA*/Shapiro studied.

Similarly, the rating for good service (29%) and knowledgeable saleshelp (28.5%) outpaced all stores in all markets.

And Rich's took first place for having the fashion and looks customers want, quality merchandise and carrying a big selection.

In Atlanta, which store has . . .

	Sears	Penney	Davison's	Rich's	Richway	K mart	Zayre
Best value for money	14.5	7.7	11.6	24.2	11.1	10.6	1.0
Good service	16.4	5.8	16.9	29.0	6.3	4.3	1.0
Knowledgeable sales help	11.1	6.3	15.9	28.5	4.8	3.9	0.5
Always find what I want	10.1	5.8	17.9	26.1	8.7	8.2	1.0
Good everyday prices	16.4	12.1	5.8	17.9	14.5	15.0	1.4
Big selection	10.6	4.3	20.8	31.9	9.7	8.2	0.5
Return policy	14.5	4.8	12.6	33.3	8.7	4.3	1.9
Good location	8.7	6.8	15.9	28.0	8.2	13.5	1.9
Good advertising	10.6	6.8	14.5	30.4	9.2	10.1	2.4
Great sales	9.7	9.7	13.0	22.7	12.6	11.1	2.9
Most enjoyable shopping experience	6.3	6.8	18.8	25.1	7.7	5.3	2.4
Fashions and looks I want	5.8	5.8	23.2	34.3	3.4	2.4	1.4
Quality	10.6	6.3	23.7	32.9	2.4	3.9	1.4
Easy checkout	9.2	9.7	13.5	25.6	8.7	8.7	2.9

Source: *Chain Store Age*/Leo J. Shapiro & Associates

In Los Angeles, which store would you say has the best value for . . .?

	Sears	Montgomery Ward	J. C. Penney	Bullocks	May Co.	Mervyn's	Robinson's	The Broadway	Other dept. stores	K mart	Gemco	Fedco	Other disc. stores
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Men's wear	11.2	4.6	17.1	13.6	7.0	7.2	5.9	16.4	10.5	2.3	1.3	1.3	0.7
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Cosmetics	4.4	2.3	9.1	15.9	12.1	3.0	10.6	18.2	3.3	3.0	3.0	1.5	3.0
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Home electronics	34.6	8.4	6.5	3.7	10.3	—	0.9	10.3	—	2.7	3.7	12.1	5.6
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Housewares	22.6	3.5	9.8	9.7	11.6	4.6	4.6	9.8	1.3	6.4	6.4	5.2	5.2
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sporting goods	32.5	16.4	10.4	1.3	9.1	1.3	1.3	6.5	1.3	2.6	9.1	10.4	3.9
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Stationery	20.2	4.8	8.3	11.9	13.1	3.6	2.4	10.7	2.4	7.1	7.1	7.1	1.2

Source: *Chain Store Age*/Leo J. Shapiro & Associates

Keeping the lights on Broadway

Going head to head against Sears in Los Angeles, The Broadway comes on strong in the *CSA* poll.

Perhaps more than any other Los Angeles retailer, The Broadway reflects how Angelenos like to think of themselves: informal, breezy and fashion-forward. While capturing the soul of southern California, The Broadway has also won consumers' votes for value.

In the Los Angeles-Orange County market, consumers in the *CSA*-/Shapiro poll rate The Broadway virtually tied with Sears as the best overall value retailer. As far as the quality of its merchandise, convenient locations, service, selection, fashion, advertising and sales and specials, Los Angeles consumers rank The Broadway first among its department store competition.

Going head-to-head against Sears, consumers rate The Broadway higher for fashion, quality merchandise, convenient location, advertising and how enjoyable the shopping experience is. Sears wins in providing the best value for the money, service, knowledgeable sales help, return policy, assortment and easy checkout.

For women's apparel, men's apparel and cosmetics, consumers rate The Broadway first in value among all Los Angeles retailers, according to the study. In home electronics and children's wear it ranks second, while in housewares it ties for third.

Customer value perceptions have paid off directly in sizable market share performance. *CSA* estimates

In Los Angeles which store has . . .

	Sears	Ward	Penney	Broadway	Robinson's	Nordstrom	May	Bullock's	K mart	Gemco	Fedco	Zodys
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Good service	12.0	2.0	11.5	10.5	6.5	8.0	7.5	7.5	1.0	—	1.5	0.5
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Always find what I want	11.0	3.5	6.5	9.0	5.5	3.5	8.5	6.5	3.0	3.0	1.5	2.0
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Big selection	14.5	5.0	7.0	13.0	6.0	5.5	9.5	9.5	2.0	2.0	2.5	1.0
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Good location	11.0	3.0	8.5	15.0	7.5	1.5	9.0	8.0	3.0	3.5	2.5	0.5
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Great sales	11.0	2.5	5.0	10.0	6.5	2.5	7.5	8.5	5.5	2.5	1.5	1.5
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fashions and looks I want	5.5	1.0	8.0	11.5	9.5	6.0	10.5	11.0	—	0.5	0.5	—
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Easy checkout	13.0	3.0	7.5	7.0	6.0	6.0	8.5	6.5	5.0	1.5	—	1.5

Source: *Chain Store Age*/Leo J. Shapiro & Associates

that in unit share The Broadway dominates the Los Angeles-Orange County market in women's and men's apparel, places just behind Penney's, Sears and Mervyn's in children's apparel, and about equally shares the market for home electronics with Sears, Gemco, Fedco, Zodys, K mart and Montgomery Ward.

With undeniable strength in soft lines, it is no wonder that The Broadway, like many of its sister department stores in recent years, has taken steps to beef-up floor space devoted to apparel, while eliminating or reducing slow moving or less profitable departments such as white goods.

The trend is most visible at The Broadway's three-year-old Beverly Center store. At 160,000 sq. ft., the Beverly Center store is considerably larger than the average Broadway unit. The expansion at Beverly Center is accomplished nearly entirely by growing apparel space and reducing the relative proportion of the store devoted to hard lines departments such as housewares and electronics.

On one level, the space allocations in the new store make sense—simply devoting more of the selling floor to the store's perceived strengths. But in doing so, has The Broadway now recognized its additional hard line strengths?

In electronics, for example, the *CSA*/Shapiro poll shows that The Broadway has a consumer value rating that is just behind Radio Shack, almost equal to The Federated Group, and ahead of Pacific Stereo, Adray's, Leo's Stereo and all other electronics specialists.

For certain categories, such as televisions, *CSA* estimates that The Broadway already has a greater unit market share than Phil & Jim's, Adray's, Leo's Stereo or The Federated Group.

With the entry of Circuit City superstores into the Los Angeles market pegged for early 1986 (Circuit City is the current leased operator for Zodys' home electronics departments), it will be interesting to see how The Broadway reacts to additional power-merchandising competition.

Consumer electronics advertising in the *The Los Angeles Times* alone already approaches four million lines annually. With the addition of new competition, The Broadway must face the possibility that its proportionately smaller electronics departments may get lost. □

Value: Some consumers will pay for it

Customers polled reveal they are willing to pay more for good sales help and clean stores.

Where customers shop is directly related to their definition of value.

Delivering value costs money. It pumps up operating expenses and eats into margins. Customers demand trained sales help, clean stores, broad assortments, frequent advertising and innovative store design. But are they willing to pay for it?

They are. More often than not, consumers in the *CSA*/Shapiro study report they are willing to let retailers who provide better value reap the rewards of higher profits. But the results are not across-the-board.

Clean stores and good sales help are the two value components customers are willing to pay the most for, according to the poll. Consumers who rank both of these characteristics as very important are willing to let the retailer who provides them take up to 50% higher profits.

The survey's results confirm some of the reasons behind discount retailing's recent wave of upscaling. Upscale discounters, such as Target, have placed a premium on store cleanliness and have found that their customers are willing to accept both the higher margins it requires and the resulting higher profits for the chain.

To discover how much consumers are willing to pay for value in dollars and cents, the *CSA*/ Shapiro study asked respondents, "How much net profit should a store make on each dollar that you spend there?" These results were then compared against consumer definitions of value.

Customers who rank store cleanliness of top importance respond that retailers may gain 30¢ for each dollar spent at a store, compared to the 25¢ allowed by consumers who rank cleanliness of medium importance, and the 20¢ profit offered by those who say cleanliness is only a small part of the value equation.

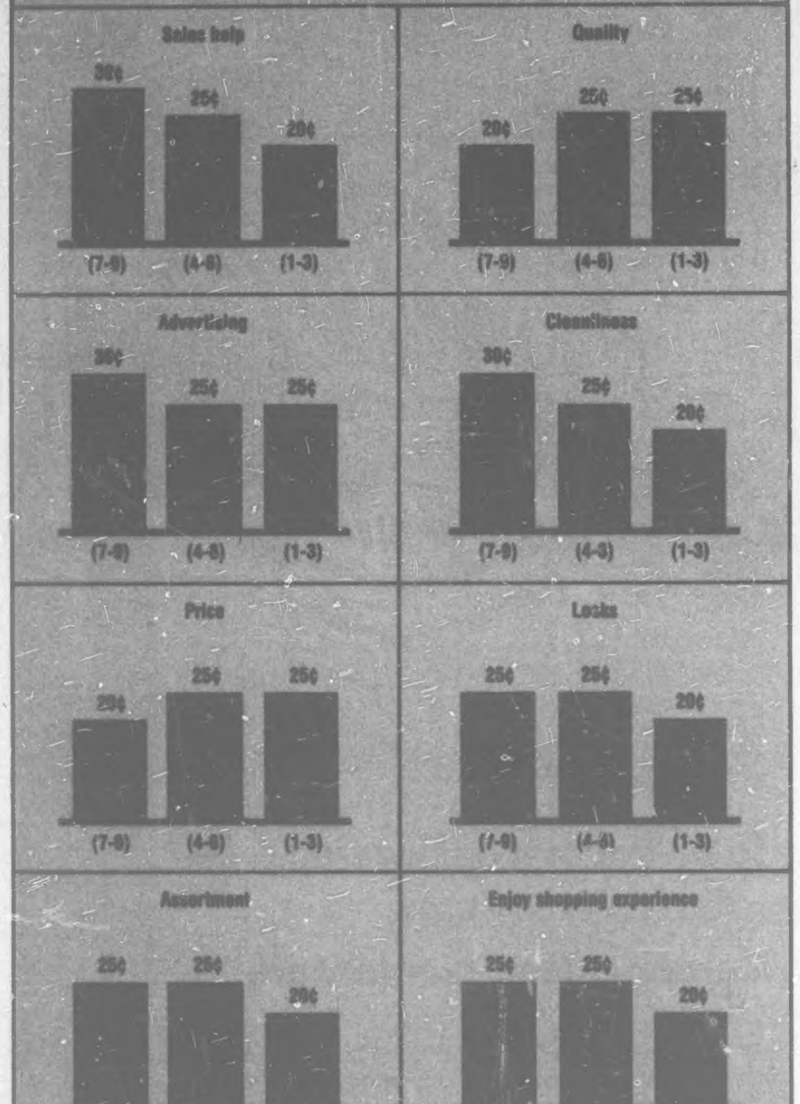
Similarly, the lower the level of sales help provided by a store, the less consumers are willing to pay for merchandise purchased there. The 43% of the study sample which ranks sales help of little importance reports that retailers should only gain 20¢ on the dollar. Another 52% of the sample base say sales help is of middle importance. This group would allow profits of 25¢ on the dollar. The 5% of consumers who report that sales help is of top importance are the most generous, allowing retailers to take 30¢.

When it comes to advertising, merchandise appearance, assortments and how enjoyable the shopping experience is, consumers in the *CSA*/Shapiro study are still willing to pay for value, but less generously.

On the average, customers who rank advertising of middle or low importance say that retailers should take a median 25¢ profit for every dollar spent in stores. Those who report advertising is a very important

Consumers willing to pay for top sales help, good-looking stores

How much profit should a store make on each dollar you spend there?*



*Figures in parentheses indicate degree of importance to consumers of categories listed.
(7-9) = high (4-6) = middle (1-3) = low

Source: *Chain Store Age*/Leo J. Shapiro & Associates

factor in the value equation say 30¢ per dollar is fair.

Customers who rank the looks of merchandise, the breadth of assortment and the enjoyability of the shopping experience of low importance also say that retailers should only gain a 20¢ profit. Those who say these factors are of middle or high importance would allow a 25¢ profit.

Though merchandise quality heads the consumer's list as the greatest component of value, the poll reveals that those who value quality the most are the stingiest when it comes to allowing the retailer a profit for his efforts.

The 1 in 5 of the consumer sample who ranks product quality very important also says that retailers should make a median 20¢ profit on every customer dollar spent there. This compares to the 25¢ allowed by the 10% of consumers who rank quality of minor importance.

More predictably, those for whom price is a high determinant of the value equation (about 15% of the study total) are also less willing to let the retailer take a higher profit. Customers who rank price as very important report they would allow only a 20¢ profit for each consumer dollar spent compared to the 25¢ reported by the 20% of respondents who say price is of little importance.

Though respondents to the *CSA*/Shapiro poll were asked how much net profit a store should make, the results show that customers, for the most part, consistently overestimate retail profits. It is probable that the average 31¢ reported in the poll actually represents consumer estimates of markup and not net profits.

While the study indicates that consumers are willing to pay for value, it also reveals that they have little understanding of just how expensive their demands may be.

Value vs. profit: Though department stores are the poll's hands-down winners, the survey's list of so-called losers raises a question as to whether or not the victory is pyrrhic. Some of retailer's virtual money machines—including some key discounters and hard and soft goods specialty chains—receive only lackluster value ratings.

On the other hand, Sears, which consumers tag as the top national value retailer, has turned in financial results which are less spectacular than its value ratings.

Though consumers are willing to pay for value, are they willing to pay enough to allow stores an adequate return? The recent experience of most department stores suggests that consumers are not willing to. Being the best value retailer is of little consolation if profits slip in the process.

According to the poll, consumers are willing to pay higher prices for some of value's most expensive components: sales help, housekeeping, advertising and broad assortments.

But, frustratingly, customers also say they are unwilling to pay for the retailer's single highest expense, the cost of goods sold: Those shoppers who value quality the most allow retailers the smallest profits. ☐

Consumers use workmanship as a prime criterion of judging product value.

Materials, looks alter shopping patterns

As in determining store value, consumers use a blend of factors in defining a concept of product value.

"Value has a direct correlation to quality, practicality and functionality," says Sony Tape Sales Co. president John Hollands. "We build design into the equation for added value. The bottom line is consumers should get what they pay for, but at Sony Tape, we feel they should get a bit more."

Workmanship is still the prime criterion consumers report they use to judge product value, according to the *Chain Store Age*/Leo J. Shapiro & Associates study. Price ranks a close second. But in the same way they blend characteristics to come up with a definition of value for stores, consumers use a combination of a dozen factors to pin down a concept of product value.

Though workmanship and price top the consumer's product value definition, barely 1 in 5 consumers give either of these characteristics a high importance rating, showing once again that value is more than quality divided by price. Only 23% of those polled say workmanship has high importance for them, while 21% reply price is very important.

A product's material, looks, sale price and guarantee are of top importance to slightly more than 1 in 10 consumers. Assortment, brand name, store, country of origin, advertising and package are all very important to 1 in 20 consumers.

Surprisingly, though workmanship and price lead the consumer's list for product value, neither of these factors seems to change actual shopping patterns, according to the study. Consumers who say they rank either workmanship or price as very important report they are shopping all retail outlets with about the same frequency they always did.

Rather it is the second tier of characteristics—material, guarantee and looks—that appears to change shopping patterns. Among those who rate product material of high importance, a significant number report that they are shopping K mart less frequently in the last year, despite the discounter's herculean efforts to upgrade.

Among those who say that product guarantee is of top importance, consumers say they are shopping J. C. Penney with greater frequency. Not surprisingly, those for whom guarantee takes the top position report that they are shopping flea markets less often than a year ago.

Both of retailing's twin giants, Sears and K mart, come out on the losing end among those for whom the look of a product is of prime importance. Consumers in this group say that they are shopping the No. 1 and No. 2 retailers with less frequency this year.

Interestingly, the study shows that price takes on a greater role in determining product value as consumer incomes rise. The average income for those who rank price of high importance is $31,300. Those who say price is of little importance in determining the value of a product have average incomes of $28,900.

At the same time, brand name takes on a diminishing role in the product value equation as incomes rise. The average annual income of those who rank brand name of top importance is $28,400 as compared to the $30,700 who say brand name is a minor part of product value.

Men and women, according to the study, are likely to disagree as to what constitutes product value. Men rank brand name, advertising and country of origin higher in importance. Women report that a product's package is of greater importance to them. ☐

Product value: workmanship over brand

How much are you influenced by the following?

Factors	Importance High (7-9)	Importance Middle (4-6)	Importance Low (1-3)	Mean rating
Workmanship	23%	[illegible]	[illegible]	[illegible]
Price	21	64	15	5.33
Material	11	[illegible]	[illegible]	[illegible]
Looks	13	67	20	4.84
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Guarantee	12	63	25	4.88
Assortment	[illegible]	[illegible]	[illegible]	[illegible]
Brand name	4	51	45	3.66
Store	[illegible]	[illegible]	[illegible]	[illegible]
Country of origin	6	39	55	3.33
Advertising	[illegible]	[illegible]	[illegible]	[illegible]
Package	2	25	74	2.53

Source: Chain Store Age/Leo J. Shapiro & Associates

Home computers continue their slide

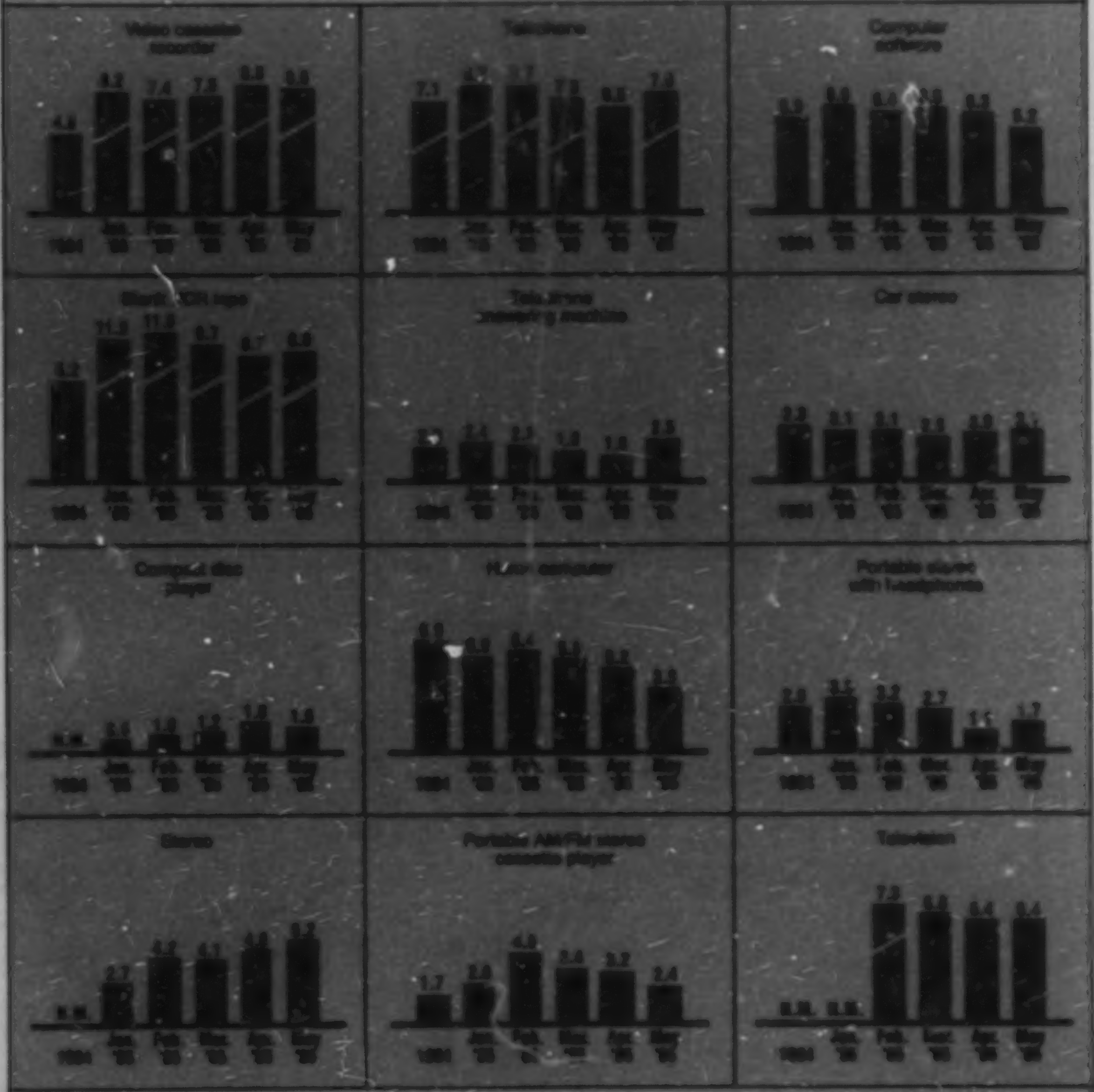
The biggest loser in the May *Chain Store Age* MarkeTrends poll may be home computers, a category in which only 3.9% intend to buy, as compared with peak interest of 7% and 6.9% in 1983 and 1984, respectively. The pattern continues when shoppers are asked if they have actively shopped for the product during the past 30 days. In May only 1.5% say they have, compared with 4.2% in January.

Reports of continuing strong interest in stereo components may be music to retailers' ears, as consumers buying intentions lean strongly toward the more sophisticated audio systems but away from boom boxes. Shoppers also continue to respond to the call to buy telephone answering machines, with more people now actively shopping for a system than anytime this year.

The category of CD players is one that shows a strong three-month pattern of consumer buying intent. The relatively new product continues to attract more attention than it did in the first months of the year. Interest in CD players has tripled since January, with 1.5% now saying they might buy.

Consumer interest in television purchases continues to lag, especially when compared to the number of people who say they bought one last year. □

*Consumer Buying Intentions**

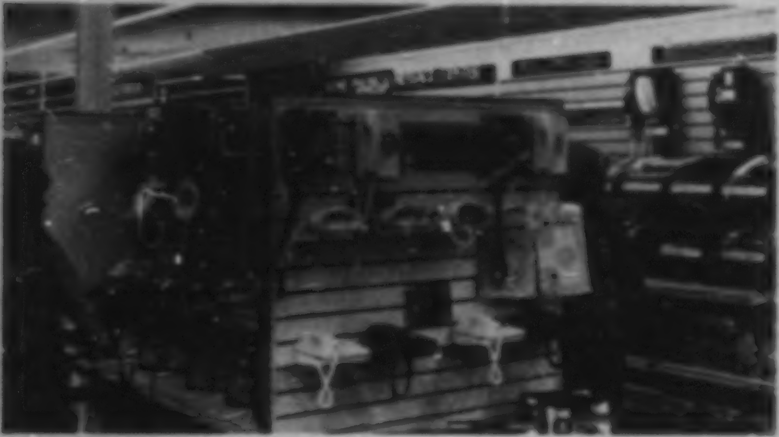


*% households might buy

N.M. —Not Measured

Source: Chain Store Age/[illegible]

Discounters get more calls for phones



Interest in purchasing phones has increased after a recent decline.

A CSA/Shapiro study of telephones shows consumers are still flocking to telephone specialty stores as the first choice among shoppers (45.9%) who say they plan to buy, but discount stores are making some gains.

Discount stores have improved their standing with telephone shoppers, as 16.8% will buy there in May, compared with 13.4% in January. There is also more interest in shopping at an electronics store (8.3%) than there was earlier in the year (5.8%).

With interest in telephones improving after slight declines in March and April, 51.1% of consumers say they prefer Bell, AT&T and Western Electric to all other brands. Only 16.2% prefer a store brand, 12.3% favor an unspecified name brand and GTE outpaced Cobra and G.E. with an 8.1% rating.

Those planning to buy feel strongly about their brand choice. Of these shoppers, 36.7% say they definitely want their specific brand. This compares with 12.8% who definitely want a brand of VCR, and 19%, a microwave oven.

The first five months of the year have shown telephone sales to be capable of ups and downs. Consumer buying intent was measured at 8.7% for January and February—perhaps the result of Ma Bell's decision to separate customers' bills for equipment and service charges, thereby reminding them how much they were paying to use someone else's telephone. Buying intent slipped during March and April, but is now up again to 7.6%, as compared with 7.1% for all of 1984.

Price preferences remain strongest at the midrange, with 24% of shoppers saying they expect to pay between $36 and $50. But 13.1% are willing to pay between $51 and $99. □

Specialty stores continue to lead

Telephone specialty stores	45.9%
Electronic specialty stores	8.3%
K mart	5.8%
All other discount stores	11.0%
Department stores	7.7%
Penney	3.0%
Sears	1.9%
Ward	1.1%
Other	15.3%

Source: Chain Store Age/Leo J. Shapiro & Associates

Brand preferences shift in VCRs

As the VCR market matures, consumers are showing their willingness to change brand name preferences, and loyalty to VHS rather than the Beta system is becoming more clear cut.

CSA MarkeTrends has tracked the growth of the fledgling market from 1981, when 3.2% of consumers said they planned to buy a VCR, until this month, when 8.6% say they will make such a purchase.

Just as 74.6% surveyed for January's study said they would postpone their VCR purchase if there were a downturn in the economy, this month that figure has increased slightly to 75.3%. The responses indicate that VCRs have still not grown as essential to home entertainment as televisions or stereos.

The survey also plots continuing changes in loyalty to brand names. Just as Fisher earned prominent mention in the January survey as the result of heavy pre-Christmas promotion, that consumer preference has virtually vanished without the promotions. And, declines in prices of other well-known names have made them more attractive to consumers. The leading brands, as chosen by consumers planning to make a purchase, are now: RCA (19.9%), Panasonic (17.2%) and Sony (10%).

VHS is still favored over Beta by consumers planning to buy a VCR (12.8% vs. 8.6%), with 56% undecided. But among consumers who already own a VCR, only 12% who bought a Beta system would do it again, and 80% with VHS are happy with what they have.

Those planning to purchase a VCR spread their shopping preference among a range of stores. Their first choice is an audio electronics store (25.1%), followed by a mass merchandise outlet (17.9%), then a discount store (17.2%) and, finally, an appliance store (17.1%).

Shoppers base their choice of store mainly on price (30.2%). They also value past dealings with the store (7.7%). The support the store gives its products was most important for 6%. □

How much do you expect to pay for a VCR?

Under $299	5.9%
$300-$399	26.3%
$400-$499	22.1%
$500-$699	25.9%
$700-$899	4.2%
Over $900	4.2%
N.A.	11.3%

N.A.—Not Available
Source: Chain Store Age/Leo J. Shapiro & Associates

Specialty stores up software share

The shakeout in low-end home computers may very well be changing distribution patterns in software. As consumers move toward higher-priced, more powerful machines—the kind still generally bought in specialty stores—they are naturally purchasing more software in these outlets.

According to *CSA*/MarkeTrends, computer specialty stores have boosted their share of the software market to 39%. The Big 3, meanwhile, have suffered the most from this shift in the market. Their combined share is down by 50%, with only 7.5% of those who purchased software recently saying they did so at Sears, J. C. Penney or Montgomery Ward.

Specialty stores solidify hold on software

K mart	7.3%
Other discount stores	11.8%
Sears, Penney, Ward	7.3%
Department stores	3.3%
Audio-electronics stores	15.4%
Specialty stores	38.7%
Mail order	5.4%
Other	5.4%

Source: Chain Store Age/Leo J. Shapiro & Associates

The immediate future looks just as bright for specialty stores but considerably dimmer for the Big 3 and discount stores. When asked where they might buy software, only 2.8% of those surveyed mentioned K mart, while 9.8% named any discount store. Those numbers are well below the actual share these outlets currently have.

Even as market share shifts, the overall business remains flat and may even be declining. The number of people actively shopping for computer software is down to 1.2% of those surveyed, the lowest figure in five months, while the number saying they might purchase software in the next 12 months is at 5.2%.

To a certain extent these numbers represent the seasonal nature of the business, which is strongest just before and just after Christmas. But last year's drop in sales of hardware suggests a very real decline in consumer interest. ☐

No recession, but . . .

Somebody is in trouble. Just who is in trouble is not yet clear, but there will be a dark side to electronics retailing this year. Amid all the hoopla over projected VCR sales, there has not been wide notice of a brewing problem—1985 will show the smallest overall growth in electronics sales in the last five years.

The Electronics Industries Association (EIA) estimates that the dollar value of factory shipments to dealers this year will increase 3%. This compares to last year's 11% gain and 1983's 20% jump. Measured in dollars, this year's factory shipments will gain only about the same amount as they did during the 1980-81 recession.

Is another recession ahead? Probably not. One would be hard pressed to call a $23+ billion retail business in the depths of a recession. Nonetheless, one would also be hard pressed to find this year's really profitable growth areas.

The EIA tags VCR dollar sales jumping 22% this year. Compact disc players will gain 50% and telephone answerers 10%, says the EIA. Blank video tape sales will increase 22%, telephones 10% and blank audio tape 7%.

This sounds like good news—up to a point. The EIA is also projecting that color televisions, black-and-white televisions, video cameras and cordless telephones will all show a decrease in sales this year.

If that is not enough bad news, consider also that Chain Store Age MarkeTrends research indicates that some of the EIA's estimates for 1985 may be too optimistic. Video cassette recorders, compact disc players and home stereos are the only categories of the 12 tracked that show growing consumer intent-to-buy this year.

Car stereos will hold even, according to MarkeTrends. But for telephones, computer software, blank video tape, telephone answering machines, home computers, headphone stereos, boom boxes and televisions the trend is down. Fewer and fewer consumers are saying that they actually expect to buy these products in the next year.

And even the much ballyhooed success for video cassette recorders must be tempered with the knowledge that many manufacturers and more retailers are getting into the business. This year and, to an even greater extent, next year will be a battle for market share.

Market share battles are fought in mature industries—and that is exactly what is happening to home electronics. The business will continue to grow modestly in the near term, but the boom years, at least for now, are over. When the VCR boom levels off, there isn't another home computer or headphone stereo or even television to run in from the sidelines and pick up the momentum.

What retailers will be left with is a modestly growing market where the real opportunity for growth comes from increasing their own market share. In the past, too many merchants have taken the easy route and tried to grow share mainly through price competition.

If nothing else, *CSA*'s cover story this month shows that consumers value retailers for more than just low prices. The retailer who so narrowly defines the value perception of his customer leaves himself wide open to assault from a retailer who accepts a broader definition.

Whether or not electronics retailers listen to their own customers will prove who will win—and lose—in next year's retailing environment.

—Rick Gallagher

PACKAGING ADDS A SHINE TO BETTER GLASSWARE

Buyers plan to enrich product offerings in glassware with more name brands, improved packaging, fashionable colors and enhanced in-store merchandising.

By trading their customers up, retailers are finding new ways to squeak higher profits out of the glassware category.

Glassware, most sources admit, has reached a saturation point and the only way retailers can build greater sales and profits is by offering higher-ticket goods. By doing so, chains are experiencing gross margins as high as 50% rather than the traditional 35% to 40%.

The emphasis on better glassware is evident in chains ranging from K mart with its Kitchen Korner department to Montgomery Ward's open stock selection in the Home Stores.

Most hope this strategy can take away some of the "down and dirty" discounting in glassware. As one New Jersey retailer put it: "We think that just carrying Crown Corning or Mikasa is enough reason to draw shoppers. We're cutting down on discounting."

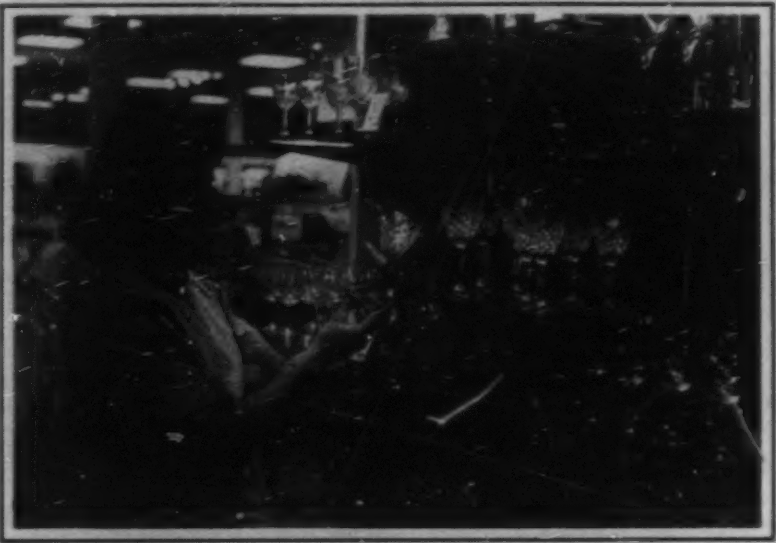
Selling more fashionable merchandise in snazzier settings, sources add, is also boosting department turns to about four times per season.

The tactics retailers are employing to achieve better glassware volume include:

- A move by discounters to sell more bulk products;
- Better displays including open stock;
- More use of colors, particularly primaries,
- And, the creation of specialty areas for products such as barware.

Selling bulk: Perhaps the biggest news in glassware since Libbey's "no chip" warranty program is Anchor Hocking's Beverageware System for bulk and 4-pack sales.

Debuted at the March Housewares Show, the new system helps solve discount operators' long-standing problems with selling bulk—a traditionally more profitable sale in glassware.



The emphasis on better glassware is evident at all retail levels.

According to product manager Debbie Kidwell, the system offers retailers better dollars per square foot. Not only can the boxes be stacked, but the 4-packs are 33% smaller than conventional boxes, allowing 18% more sku's in the same space.

Chains including K mart, Lamston's, Target and SkopKo welcomed the new system. "It is a convenient way to sell glassware," says Burt Goldstein of Lamston's. "It offers us a chance to get into bulk."

Discounters also like the system because it eliminates the need for wrapping at the checkout and should help curb breakage.

"Another reason we're excited about it," according to K mart's buyer Don Edel, "is because the individual UPC coding makes scanning easier." Edel says K mart will test the Anchor Hocking program later this year.

Despite the praise for the Beverageware System, competitors say they will wait until Hocking has results before debuting similar packaging. Price is one reason they will be cautious.

"Although Anchor says it won't raise price points, I can't see how it can be done without raising costs," offers one supplier.

Other sources—both on the retail and supplier end—say the system will fuel sales in drug and food outlets. "Why should we hand over the business to those outlets?" a buyer asks.

Perhaps the biggest problem for retailers is timing. Although a few large accounts will have the product by late this year, most will be forced to wait until 1986. This means retailers can not integrate it into fall planograms.

Adding punch: In the meantime, buyers plan to enrich product offerings by using more name brands,

ONYX
ONYX
ONYX
ONYX
ONYX

Better displays of packaged and open stock is a trend in glassware.

improved packaging and fashionable colors. Most will also play up instore merchandising.

"There's a new type of customer out there," offers Jim Hughes, vp sales for Crisa. "Years ago, this customer would not have been caught dead in a Target but now buys more and more items there. That is why our newly repackaged line fills a void in the mass market."

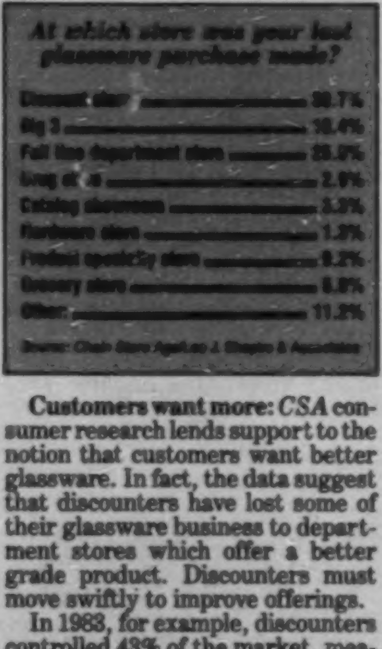
Ralph Becker, retail marketing manager for Libbey, believes brand names are more important than ever. "We find more people want Libbey because we have a respected name."

Libbey, according to research from *Chain Store Age*/Leo J. Shapiro & Associates, is the brand customers think of when they want glassware. When asked to name a brand, 28% selected Libbey, followed by Anchor Hocking's 7%, J. G. Durand's 2.6%, Fostoria's 2.6%, Pyrex's 1.8%, Waterford's 1.8% and Lenox's 1.7%.

J. C. Penney, Montgomery Ward, Bradlees and E. Gottschalk's have been quick to add more of these high impact brands.

"Better glassware," says a source at Fresno, Calif.-based Gottschalk's, "means better margins and we're all after that."

Paul Benyak at J. C. Penney reports that his chain's upscaling program has resulted in glassware sales that even surprise him. "We found we could blow out items at $10 a stem."



Customers want more: *CSA* consumer research lends support to the notion that customers want better glassware. In fact, the data suggest that discounters have lost some of their glassware business to department stores which offer a better grade product. Discounters must move swiftly to improve offerings.

In 1983, for example, discounters controlled 43% of the market, measured by purchase sites for glassware. That dipped in the April 1985 consumer survey to only 30%.

"Discounters," says Hughes, "have realized the need to stop losing share and they are looking to new suppliers and different types of glassware to win shoppers back."

Hands down, suppliers credit Bradlees with making the most impressive moves. At its Framingham, Mass., store Bradlees offers an entire open stock glassware selection featuring everything from $5 stemware from Colony to Katja's red and black Drulane barware collection.

Others point to Wal-Mart and K mart as trendsetters. Wal-Mart, vendors say, will soon create a color statement and K mart has been aggressively upgrading with Kitchen Korner.

"We are concerned with trading up," says Edel, "and now that we have more space we're not stuck at low-end price points."

Color, Edel adds, plays an important role in his new programs. "Painted designs are passé. We're seeing more solid colors or clear crystals."

Ralph Becker, retail marketing manager for Libbey, agrees that color has been a success story. "We've had an overwhelming success with our Ribbons of Colour and Prime-Mates."

Goldstein at Lamston's adds that solid colors as well as "ribbons and swirls" are fast movers at his stores. Other color picks include smoke and heather.

The use of color is making it easier for mass retailers to enter the barware area, according to Gerry Ragucci, national sales coordinator for Durand.

"I think the next major trend will be in the home entertaining and barware areas," Ragucci says. "We had a great reception to our Entertainment collection during the show."

Bloomingdale's, Burdines and Dayton's head the list of department stores creating barware departments. Mass outlets such as J. C. Penney and K mart are following suit.

Too high: With all of the upgrading, buyers remain cautious about price points. There remains a magic price point, according to Hughes at Crisa, and chains cannot go much above $15.

CSA research supports that fact: The majority of shoppers interviewed by CSA expect to pay $11 to $15 for glassware. ☐

Intent-to-buy quieter in housewares

Consumers appear to be paring back plans to purchase new housewares items. Buying intentions, based on the number of households that say they intend to buy in the next year, dropped in 7 of 12 tracked categories. Shopping intensity stayed even in two other areas and rose only slightly in the other 3 , according to *Chain Store Age* MarkeTrends.

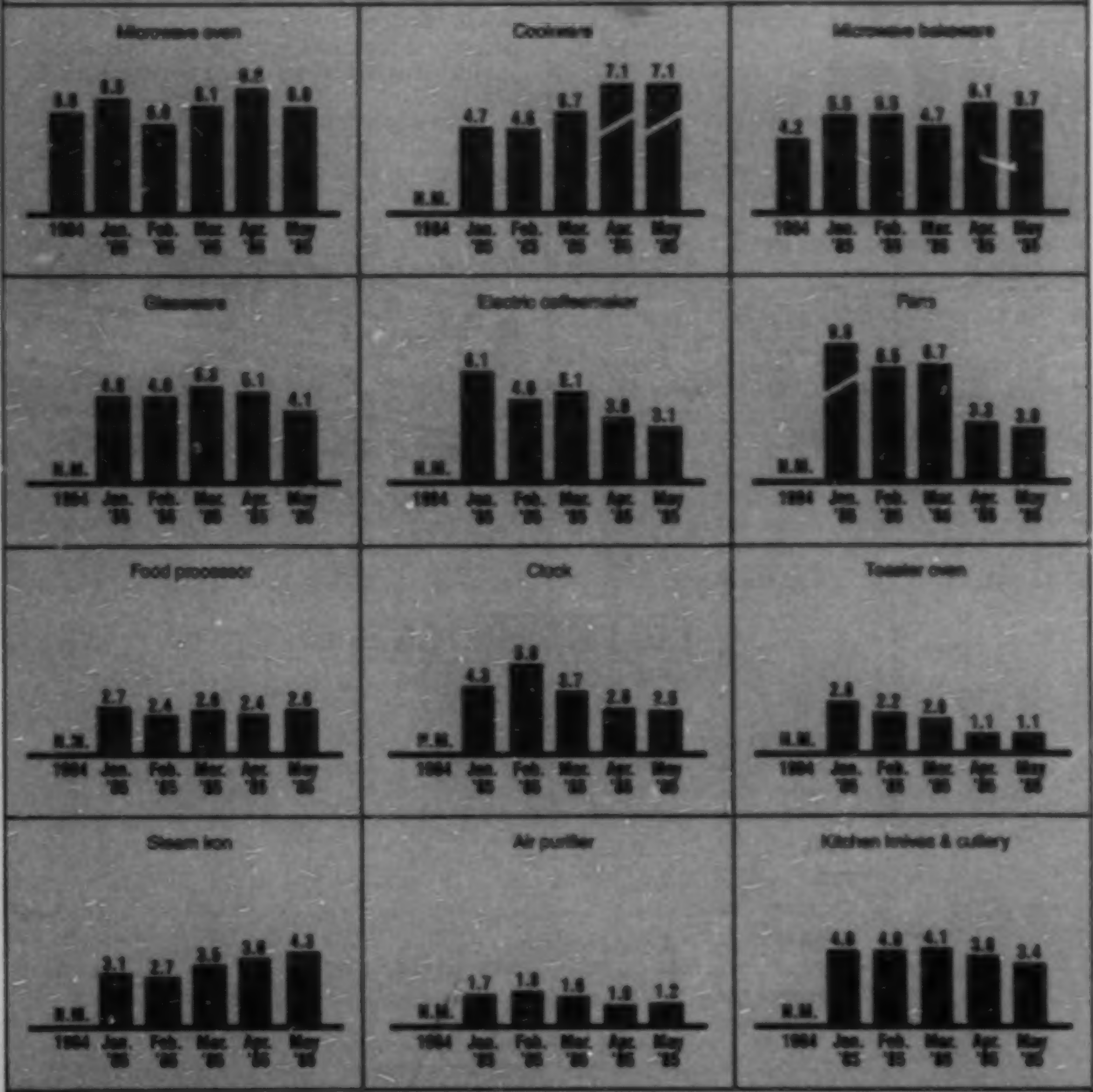
Steam irons continued on an upward spiral in May with 4.3% of the households indicating an interest in buying. That was up from 3.6% in April and 3.1% in January.

On the down side, consumers appear to be putting off plans to add to their glassware collections. The shopping intensity in this category dropped from a high of 5.3% in March to only 4.1% in May.

After four months of a steady climb, microwave oven shopping plans started on a decline. Not surprisingly, intentions to purchase microwave cookware are also sinking, according to *CSA*'s May research.

Although the intent to buy cookware stayed even in May, this category remains the strongest in the housewares field. With 7.1% of the population saying they might buy cookware in the next 12 months, cookware promises to be the most active housewares category tracked by *CSA* MarkeTrends. ☐

*Consumer Buying Intentions**



*% households might buy

N.M. = Not Measured

Source: Chain Store Age/Leo J. Shapiro & Associates

Microwave ovens become kitchen basics

MICROWAVE OVENS

Microwaves have become basic kitchen appliances, rather than luxury items.

Where microwaves are purchased

Discount stores	12%
K mart	3.3%
Other discount stores	8.7%
Big 3	30.7%
Sears	16.4%
Montgomery Ward	7.7%
J. C. Penney	6.6%
Department stores	6.5%
Catalog showrooms	1.1%
Product specialty stores	9.3%
Appliance stores	34.9%
Other	5.5%

Source: *Chain Store Age*/Leo J. Shapiro & Associates

Although the intention-to-buy level dipped from 6.8% in April to 6.0% in May, the microwave oven category remains one of the most active of all of the housewares areas tracked by *Chain Store Age* MarkeTrends.

Perhaps one of the reasons sales continue to flourish is customer satisfaction with the ovens. According to *CSA* MarkeTrends research, 98% of all owners are completely satisfied with the ovens.

Microwaves are becoming a basic kitchen item rather than a luxury with 45.6% of the survey now reporting that they own one. There is still room to grow in this market, however, because 29% of those who do not possess a microwave oven say they "might buy one in the coming 12 months." Also, 10% of those who currently own one may either replace or upgrade their current oven.

Whether first time or second time buyers, consumers are searching for more features in the ovens. Close to 20% of those who already own a microwave, for example, said they would like a built-in carousel with their next oven. Digital read-outs, defrost capabilities, temperature probes and touch pads were other desirable features. Surprisingly, a browning feature was not high on the list, despite the fact that many consumers seem to think the ovens are not capable of browning.

Nonowners tend to think they would use a microwave primarily for cooking. However, close to 50% of those who do have one said they tend to use it for reheating. Sixty per cent of the owners use the oven over 10 hours per week—that is significantly higher than the three to six hours a nonowner expected to use the oven if purchased.

The Big 3 have a stronghold on the microwave business with 30.7% of all who last bought saying they did so at either Sears, J. C. Penney or Montgomery Ward. Sears, in fact, accounted for 16.4% of the purchases followed by Ward with 7.7% and Penney with 6.6%.

The No. 1 brand, according to the sample, is Sharp, with 15% share followed by Panasonic with 9.4%, Litton with 9.4%, Amana with 8.1%, G.E. with 6.3% and Tappan with 4.7%. ☐

Coffeemakers perking at discounters

What brand of coffeemaker was last purchased?

Mr. Coffee	33.8%
G. E. (now Black & Decker)	30.7%
Name Brand (not specific)	11.3%
Norelco	7.8%
Sunbeam	5.0%
Procter Silex	3.8%
Store Brand	1.9%
Bunn	1.9%
Other	3.9%

Source: *Chain Store Age*/Leo J. Shapiro and Associates

Discounters lead the way in coffeemakers with almost 42% of the households *CSA* MarkeTrends interviewed responding they last bought a coffeemaker at a discount outlet. About 10% of those households, in fact, bought the coffeemaker at a K mart.

Price is undeniably the force bringing customers to discounters for coffeemakers with 53.4% of the households surveyed indicating they picked the outlet they did because of price. Sales are also important to this customer: Almost 65% last purchased a coffeemaker at an on-sale price.

Name brands are crucial in the coffeemaker business with just over 98% responding they would buy an advertised brand vs. a store label. Mr. Coffee, according to the poll, scored the highest at 33.2% followed by G. E. with 29.7%, Norelco with 7.4%, Sunbeam at 5.5%, Procter Silex with 3.8% and Bunn with 1.9%. Krups and Braun were not mentioned.

Although price is important, consumers are willing to dig deep into their pockets for coffeemakers. Almost 30% of the survey said they would expect to pay anywhere between $35 to $50 for a coffeemaker. And, despite the inroads the new under-the-cabinet coffeemakers have made into the market, 14% of those surveyed still prefer a countertop model vs. only 3.5% who desire one that mounts on a wall or under a cabinet. ☐

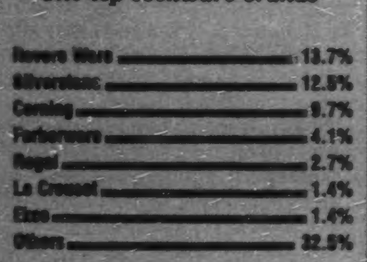
Cookware is a branded business

Cookware shoppers are brand conscious and will often shop around to find what they perceive as the best quality for their money.

According to *CSA* MarkeTrends research, 86% of all shoppers surveyed prefer to buy advertised brands rather than store labels.

Price, however, also plays an important role in cookware purchasing decisions. When asked to supply one word to describe why they would choose one outlet over another, almost 50% of the survey answered price. Additionally, 62.5% of those who recently purchased cookware said they did so at an on-sale price.

*The top cookware brands**



*Brand customers last purchased

Source: Chain Store Age/Leo J. Shapiro & Associates

When consumers were asked where they *would* purchase cookware, answers were almost equally distributed among discounters (26.7%), the Big 3 (26.4%) and department stores (24.9%). However, when that question was put to those who actually had purchased cookware recently, the Big 3 dropped to a 19.5% share.

This suggests that customers are somewhat disappointed with the Big 3's cookware offerings. The outlets gaining at the expense of Sears, J. C. Penney and Montgomery Ward are catalog showrooms and department stores.

Shoppers are almost split on whether they prefer to buy cookware in sets or pieces—22.9% vs. 18.7%, respectively.

Fifty-three per cent of the shoppers expect to pay between $36 and $124 for cookware, with the most popular price points falling between $36 and $50. ☐

Gazing into the future of housewares

With the help of retailers and manufacturers queried during the recent National Housewares Manufacturers Association show, I have done some gazing into the future of the housewares category.

Although the future looks bright, the experts admit they will have to work harder than ever to grab their fair share of limited housewares dollars. Today there are more retailers after the shopper's housewares dollars. Having the right item at the right price is becoming increasingly important. Here's what the experts predict will be the trends to watch in 1985:

Daring colors: Forget almond . . . today's sophisticated shopper wants pizzazz. According to J. C. Penney's retail marketing manager, Paul Benyak, primaries are the hot items, as well as black and white. Anyone who made the semiannual pilgrimage to Chicago's Crate & Barrel also knows that gray and yellow will be the new popular colors to add to primary assortments. And, Robert J. Zaban of Watercolors, Oils and Pastels predicts the European influence will mean greater sales of pastels.

Color was also the show-stopping feature of Hall China's Art Deco ceramic line. Available in over 100 colors, the line was a show pick of retailers ranging from Dennis Bookshester, chairman and ceo of Carson Pirie Scott to Robert Cressey, buyer for Strawbridge & Clothier.

Cord busting: After this housewares show, cords are a thing of the past. Just about every major supplier—Black & Decker, Sunbeam, Norelco, West Bend, Hamilton Beach and Procter Silex—showed cordless, rechargeables at the show.

With these new technology items, however, come some of the same problems associated with under-the-cabinet items. Specifically, retailers are wondering just how far the cordless technology can go. Perhaps Montgomery Ward's national merchandise manager Rod Hamilton sums it up best: "If there really is a genuine benefit from cordless, like the iron, I think it will be good. Some items just don't have a need." Hamilton, for now, is shying away from cordless because of the price.

Downsizing: Hamilton Beach unveiled a compact microwave during the show. Of course the company is not the first to come out with smaller microwave ovens, but its entry into this area helps hammer home the fact that this trend is here to stay. More "micro" microwave cookware follows these new ovens.

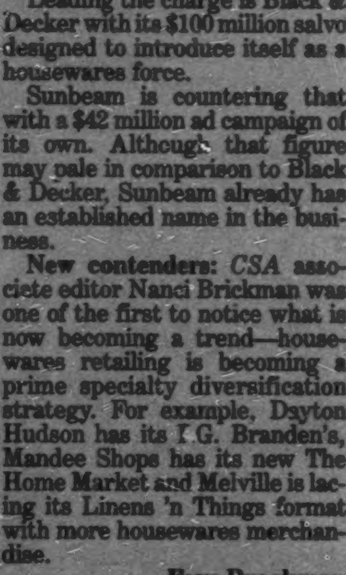
Megabucks: Housewares has never been an area where manufacturers plunked down huge advertising dollars. Instead, retailers used generous co-op dollars to promote their own chains. That is all changing now as the majors flood consumers with their message.

Leading the charge is Black & Decker with its $100 million salvo designed to introduce itself as a housewares force.

Sunbeam is countering that with a $42 million ad campaign of its own. Although that figure may pale in comparison to Black & Decker, Sunbeam already has an established name in the business.

New contenders: *CSA* associate editor Nanci Brickman was one of the first to notice what is now becoming a trend—housewares retailing is becoming a prime specialty diversification strategy. For example, Dayton Hudson has its I. G. Branden's, Mandee Shops has its new The Home Market and Melville is lacing its Linens 'n Things format with more housewares merchandise.

—Faye Brookman



Talbot.

Another compelling reason vendors believe corporate licensed goods will start hitting it off well with chain buyers is the cross-merchandising opportunities such goods provide. Licensed merchandise can be used to drive sales of the principal product, or vice versa.

"If Louisville Slugger is the biggest supplier of bats to a discount chain, the chain's apparel buyer is going to be more inclined to buy the new Louisville licensed apparel because he'll be supporting a name already in his stores," reasons Wes Anson, president of Marketing/Trademark Consultants in La Jolla, Calif.

As corporate licensing grows, many vendors are becoming bolder. No longer will licensing programs be confined to merchandise which bears some obvious relationship to the original product. The uniqueness of a licensed product may now be important, especially in trying to tap certain markets. Hershey's Foods and Coca-Cola, for instance, have both signed Arrow Trading to produce telephones using their brand names and packaging designs. That kind of marriage is not far-fetched, according to the companies.

"Teenagers are one of our target markets, so we wanted to have something to attract them," says R. Bruce Gilbert, manager of merchandise licensing for Coca-Cola.

The Arrow telephone and a radio done in the form of a vending machine are two products Coca-Cola decided would appeal to teens, and the strategy appears to have worked. Jack Dweck, exec. vp of Arrow, says the company decided to do the Hershey phone because of the success of the Coca-Cola model.

As the range of associations between corporate license and products broadens, one caution remains: Such goods won't sell well on mass market shelves unless they go beyond the kind of simpleminded, often chintzy merchandise which was common when corporate licenses were used primarily on products designed as giveaways.

"I can walk a trade show and tell you the products that won't make it," says Seth Siegel of Hamilton Projects, a New York-based licensing representative. "Something that just has a name or a logo stamped on it won't work. The design has to be well thought out and integrated with the product." ☐

Who knows 1985's hottest new license?

CSA's latest poll of toy buyers suggests that choosing this year's hit license won't be an easy task.

Picking a new license which promises to be this year's hit requires experience, intelligence and a certain amount of gut feeling. But even then it is a chancy, hit-or-miss endeavor, as *Chain Store Age*'s latest poll of toy buyers suggests.

Asked to select 1985's hottest new licenses, toy buyers at the nation's largest general merchandise chains could come to no consensus. The four most frequently mentioned new properties were Voltron, Princess of Power, Wuzzles and Hugga bunch, but none of these were selected by more than 25% of buyers.

Buyers couldn't even come to a consensus on what subcategory would be licensing's hottest. Voltron, for instance, is part of 1984's best category, robots, while Princess of Power is a spin-off of Masters of the Universe, the top action figure property. But both Wuzzles and Hugga Bunch are at the opposite end of the spectrum, the cute and cuddly groupings of characters.

One thing which buyers are sure of, however, is the list of hottest licenses currently in stores. The top rate licenses for sales in February were Transformers, GoBots, Masters, Cabbage Patch and Rainbow Brite. Numbers in parentheses indicate position on the previous survey. *Showing most growth:*

1. Transformer (2)
2. GoBots (3)
3. Masters (5)
4. Cabbage Patch (1)
5. Rainbow Brite (3)

Showing most falloff:

1. Star Wars/Jedi (1)
2. A Team (2)
3. Strawberry Shortcake (3)
4. Knight Rider (5)
5. Get Along Gang ☐

ADVERTISERS' INDEX

Allen Pen Co.	35-58
Armitron	62-63
Clopay Corp.	2
Compo Industries	8
Cotter & Co V&S	11
Creative Teaching Press	90
Dritz R Corp.	26
Duracell Products Co.	68
Duraco Products Inc.	33
E.I. DuPont Bath Products	82
E.I. DuPont Imperial Knife	72
Femic Inc.	60
General Merchandise Trade	10
Hallmark Ambassador Cards	16, 17, 28-29
Kenney Window Fashions	85
LaBelle Advertising	81
Licensing Institute Of America	78
Master Lock Co.	6
Minolta Corp.	100
Nikon	31
Northern Electric	89
Parker Pen Co.	98
Pentel Of America Ltd.	12
Polaroid Corporation	64
Random House Juveniles	110
S. Lichtenberg	87
Scholl Inc.	71
Smith Corona	20
Tecumseh Products Co.	4
Union Carbide Corp.	23
United Media Enterprises	94
Vitamaster	9
Walt Disney Home Video	96
Woodstream Corp.	24

This index has been compiled for the convenience of our advertisers and readers. While every precaution is taken to prevent mistakes, the publishers cannot be held responsible for errors or omissions.

High inventories gobble up gains

Department stores lead the list of losers in the fourth quarter income tally, victims of high inventories, heavy promotions, and rampant price cutting that turned retailers' high expectations for Christmas into New Year's resolutions to cut inventory.

Bloated inventories exacted a heavy price in the final quarter on R. H. Macy and Carter Hawley Hale, as the rate of gain for profits for the department store group slowed from 35.1% in 1983, to just 6.5% last year. The same pattern held for fourth quarter earnings. Net income for department stores increased 5.6%, compared with a 21% gain in fourth quarter, 1983.

The discount/variety group, which showed the geatest gain for 1983, with earnings ahead 68.9%, boosted income just 13.3% last year. K mart, for example, managed to maintain its gross margin for the year (27.7%), but fourth quarter comparisons show that high inventory levels cost the chain dearly. Faced with the need to promote heavily, K mart's fourth quarter gross margin declined to 25.8%. K mart is addressing the problem of inventory by installing new cash registers that are capable of providing sales information in greater detail.

Penney acknowledged a fourth quarter decline in gross margin and blamed it on heavy markdowns. Because the anticipated surge in seasonal demand failed to materialize, the company found itself with inventories that were 10% over plan.

As bad as the fourth quarter was for most, it could have been worse without a favorable LIFO index that provided substantial benefits for many chains. LIFO, which enables companies to adjust the value of inventory for the effects of inflation, enabled Carter Hawley Hale to gain a $17.9 million credit for the fourth quarter, as compared with a credit of just $500,000 for the previous fourth quarter. K mart gained a LIFO credit of $19.6 million for the year vs. a $45.6 million pretax charge the year before.

As always, a few chains again demonstrated their ability to sell product, control costs and keep inventories low even in tough times. Wal-Mart, Zayre, and The Limited maintained strong earnings records. During the fourth quarter, Zayre's inventories actually declined from the previous fourth quarter. Despite rampant price cutting throughout the industry, gross margin at Zayre rose to 24.2% for 1984, up from 23.7% in 1983. Wal-Mart had fourth quarter earnings gain of 29.3%, The Limited had a 38.4% gain, and Zayre reported a 22.5% gain.

Wal-Mart, Zayre, Limited gain in soft year

	4th quarter			Full year		
	1983 (000 omitted)	1984 (000 omitted)	% change	1983 (000 omitted)	1984 (000 omitted)	% change
Penney	260,000	216,000	−16.9	467,000	435,000	− 6.80
Sears[2,4]	406,800	361,300	−11.2	654,300	656,000	+ 0.25
Ward	53,000	69,000	+30.2	40,000	53,000	+32.50
Subtotal	**719,800**	**646,300**	**−10.2**	**1,161,300**	**1,144,000**	**− 1.50**
K mart	248,000	204,000	−17.7	492,300	499,100	+ 1.40
G. C. Murphy	7,243	8,827	+21.9	18,400	20,116	+ 9.30
Rose's	10,142	10,747	+ 6.0	21,806	23,808	+ 9.20
SCOA (Hills)	27,913	26,767	− 4.1	41,812	41,027	− 1.90
Wal-Mart	84,600	109,400	+29.3	196,200	270,800	+38.00
Woolworth[1,2]	81,000	92,000	+13.6	118,000	141,000	+19.50
Zayre	28,311	34,696	+22.5	61,426	80,316	+30.70
Subtotal	**487,209**	**486,437**	**− 0.2**	**949,932**	**1,076,257**	**+13.30**
Allied	80,113	91,659	+14.4	128,471	140,733	+ 9.50
Associated Dry Goods	80,424	81,203	+ 1.0	115,520	120,700	+ 4.50
Carter Hawley Hale	50,945	32,600	−36.0	67,485	89,700[5]	+33.00
Dayton Hudson	141,850	148,671	+ 4.8	243,187	259,346	+ 6.60
Federated[6]	172,700	201,500	+16.7	338,342	302,330	− 2.70
May Co.	100,400	110,000	+ 9.6	187,000	214,100	+14.50
Mercantile	38,496	36,455	− 5.3	83,222	84,700	+ 1.90
Subtotal	**664,937**	**702,140**	**+ 5.6**	**1,102,227**	**1,230,076**	**+ 6.50**
Federated Group	172,700	201,500	+16.7	338,342	329,330	− 2.70
Oshman's	7,468	7,846	+ 5.1	10,303	10,060	− 2.30
Toys "R" Us	73,786	79,906	+ 8.3	92,317	111,424	+20.70
Subtotal	**253,964**	**289,252**	**+13.9**	**440,962**	**450,820**	**+ 2.20**
The Gap	10,750	7,034	−34.6	21,607	12,230	−43.40
The Limited	24,296	33,617	+38.4	70,930	92,495	+30.40
Edison Bros.[3]	21,700	8,400	−61.3	48,900	32,900	−32.70
Subtotal	**56,746**	**49,051**	**−13.6**	**141,446**	**137,625**	**− 2.70**
Syms	4,744	5,740	+21.0	10,341	12,712	+22.90
Clothes Time	549	563	+ 2.6	2,420	3,311	+36.80
Subtotal	**118,786**	**104,406**	**−12.1**	**296,003**	**281,273**	**− 1.90**
Total	**2,301,431**	**2,277,503**	**− 1.0**	**4,152,620**	**4,338,056**	**+ 4.50**

[1]Continuing operations only. [2]Consolidated operations only. [3]Excludes unusual items. [4]U.S. merchandising only. [5]Includes after-tax gain of $82.5 million on the sale of Waldenbooks.
Source: *Chain Store Age* research

Ohio bank crisis erodes confidence

Reaction to the Ohio savings bank crisis may have helped erode consumer confidence in March after two months of gains. It tumbled from 96.8 in February to 88.1 in March, according to The Conference Board. However, The Buying Plans Index rose to 113.6 in March from 107.1 in February.

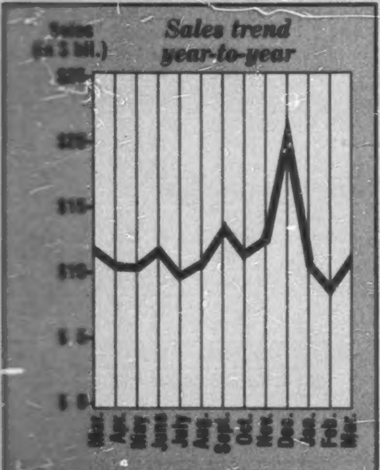
The Ohio bank closings is the most extensive action taken by banks since the Great Depression and reaction to it may have made consumers throughout the U.S. uneasy. On March 15, 71 Ohio state insured thrift institutions closed their doors for six days. When they reopened, customers were only able to withdraw $750 a month until the crisis ends.

Ohio merchants have been most sympathetic to customers which may have helped keep the situation in perspective. For instance, Federated Department Stores, which operates Gold Circle, Shillito-Rike's and Lazarus in Ohio, agreed to honor all checks drawn on savings and loan accounts.

Retail health's true picture?

While the U.S. Commerce Department reported March retail sales falling at a seasonably adjusted rate of 1.9% from January, the news left retailers bewildered. March sales for the 26 chains tracked by *Chain Store Age* jumped nearly 50% over January and 12.3% over a year ago.

The source of the confusion lies both with the Commerce Department's seasonal adjustment process and an early 1985 Easter. This year Easter fell on April 7, the day after the end of the March reporting period for most retailers. Easter last year was April 22.



Composite of sales trends showing month-to-month sales volume for the 25 retail companies tracked by *CSA*.

Despite Easter's tendency to inflate this year's results, Sears posted a paltry 2.7% gain over last March. Montgomery Ward fared even worse.

Among the department stores the news was brighter. Mercantile reported comparable-store results up 17.7% over last March. Allied, which saw total sales increasing 11% from a year ago, marked a 9.6% same-store gain. R. H. Macy comparable-store figures edged up 6.5%.

K mart's 19.5% increase still benefits from favorable comparisons against last year's performance, which does not include results from Waldenbooks. Still, the discounter giant posted an 11% gain for stores in operation for more than a year.

Easter exaggerates month's results

		March sales		Stores		2-mo. sales		
Major chains	% change	1985	1984	1985	1984	1985	1984	% change
Sears[1]	+ 2.7	2,025,405	1,971,954	796	811	3,471,189	3,383,739	+ 2.6
Penney	+ 7.2	1,061,000	990,000	1,996	2,016	1,751,000	1,653,000	+ 5.9
Ward[1]	− 3.7	505,500	524,800	364	367	889,400	916,000	− 2.9
Federated[5]	+ 11.5	837,700	751,200	466	426	1,466,100	1,329,200	+ 10.3
Dayton Hudson	+ 19.7	729,442	609,272	1,045	1,089	1,202,950	1,021,698	+ 17.7
May Dept. Stores	+ 21.9	444,400	364,500	1,888	1,609	733,600	619,300	+ 18.5
R. H. Macy	+ 8.1	367,000	339,500	96	93	669,200	620,300	+ 7.9
Associated Dry Goods	+ 21.0	375,200	310,000	N/A	323	624,900	527,900	+ 18.4
Allied Stores	+ 11.0	349,200	314,500	604	573	601,100	557,800	+ 7.8
Carter Hawley Hale	+ 9.5	321,300	293,400	269	248	566,500	509,800	+ 11.1
Mercantile	+ 19.8	169,399	141,356	79	78	267,456	233,224	+ 14.7
K mart[6]	+ 19.5	1,960,000	1,640,000	2,054	2,042	3,267,600	2,782,400	+ 17.0
Wal-Mart	+ 36.0	593,000	436,000	765	657	1,028,000	769,000	+ 33.7
Woolworth	+ 7.2	495,500	462,100	N/A	N/A	830,100	797,100	+ 4.1
Household Merch.[2,3]	+ 7.0	506,590	473,353	3,593	3,738	893,950	844,493	+ 5.9
T.G. & Y.	+ 5.7	182,826	172,966	741	793	308,628	309,571	− 0.3
Zayre[4]	+ 31.4	352,661	268,348	860	770	527,032	422,424	+ 24.8
Bradlees	+ 20.4	114,600	95,200	132	128	190,800	168,500	+ 13.2
Rose's	+ 19.3	68,157	57,107	197	191	133,962	113,909	+ 17.6
Murphy	+ 4.1	77,889	74,801	381	404	131,958	130,190	+ 1.4
Jamesway	+ 32.4	39,541	29,855	85	79	65,109	51,696	+ 26.0
Heck's	+ 13.6	48,300	42,500	125	122	78,600	70,700	+ 11.2
Melville	+ 20.8	428,971	354,993	5,301	5,755	699,200	610,155	+ 14.6
Tandy	+ 2.6	227,943	222,233	N/A	N/A	435,204	432,247	+ 0.7
Edison Bros.	− 7.6	66,400	71,900	N/A	N/A	129,700	144,900	− 10.5
The Gap	+ 24.1	45,800	36,900	624	556	75,600	65,200	+ 16.0
Circuit City	+ 25.8	37,600	29,900	96	N/A	71,800	55,600	+ 29.1
Total & Averages	+ 12.3	12,248,498	10,905,672	—	—	20,802,010	18,830,475	+ 10.5

*000 omitted. N.C. = no change. N/A = not available.
[1] Store number for full-line outlets only. [2] Includes 2,674 franchise stores (vs. 2,771 a year ago). [3] Includes T.G. & Y. sales. [4] Includes 290 Zayre stores (vs. 276 a year ago), 412 Hit or Miss stores (vs. 373) and 158 T. J. Maxx stores (vs. 121). [5] Excludes supermarket sales. [6] Store count includes K mart stores only.

Tandy Corp. gets set to grow

The last year has not been kind to Tandy Corp., but the electronics giant is thinking aggressively, thanks to several new and old items it believes will spur sales. According to Bernard Appel, president, Radio Shack division:

- The advent of compact disc players could lead to added sales of stereo speakers as consumers upgrade.
- In the fall catalog, out in August, Radio Shack will introduce the first do-it-yourself complete satellite TV system. Industry analysts predict more than half a million units will sell during 1985.
- By June, a new business-type phone with hold, intercom and multiple buttons will be introduced for home use.

Tandy's Radio Shack division may have reached its limits in exploiting the market for its private label products, spurring the nation's second-largest electronics retailer to pursue growth in the more lucrative branded market.

The Fort Worth, Tex.-based chain has announced that it will buy the 24-store Scott Appliance group which operates audio/video/appliance outlets in the Memphis, Tenn., and Jacksonville, Fla., areas.

John V. Roach, Tandy's chairman/ceo says, "This acquisition represents Tandy's initial entry into name brand discount retailing and will provide us the opportunity to become more familiar with a segment of the electronics industry in which we have not been participating."

Scott Appliance, which turned in sales of $46.9 million for the fiscal year ended Jan. 31, 1985, will operate as a separate subsidiary.

C-5150-7

State of the industry: Top 100 chains

Chain Store Age

GENERAL MERCHANDISE TRENDS June 1985

CE outlook:

Will audio/video systems make Christmas?

TWO DOLLARS PER ISSUE

CONTENTS

June 1985

Industry Trends

State of the Industry: 1984—a curious, disappointing year 11
Sears' profits inch ahead 21
K mart learns important lessons 23
J. C. Penney fashionable, but margins down 25
Dayton Hudson breaks $8 billion in sales 27
Federated repositions itself 29
Montgomery Ward struggles for profitability 33
Woolworth bounces back 34
Another great year for Wal-Mart 36
May Dept. Stores: Strategy for success 38
Household Merchandising—T.G. & Y. profits up 40
Zayre profits from discount stores 42
Allied's strategies; Service Merch. expansion 44
CHH: dangerous living; Price Co. leads 46
Federated Group to to S.W.; Bradlees' "difference" 48
Monkey wrench at Macy's; Melville steady 50
Toy's "R" Us's edge; Tandy slides 53
Dillard's strides; Ames acquires Murphy 54
Best hopes for better 55
McCrory finetunes; Mercantile ups productivity 56
Rose's: Good, looking for better 60
BATUS battles; Circuit City aims for L.A. 62
ADG may go back to its roots 63

Consumer Electronics

What will Christmas '85 bring to the CE industry? 65
New 8mm format in need of friends 66
Batteries set to recharge industry 72
Personal copiers fulfill need to reproduce........................ 76
CE MarkeTrends: blank video tapes, home computers, TVs........................ 80

Housewares

Housewares MarkeTrends: microwave bakeware, toaster ovens, fans........ 91

Toys

Retailers renew interest in science toys 99
Applying science to toys 102

Licensing

Classic cartoons prove their character 107

Home Textiles

Natural fibers warm up blanket sales 110
Juvenile sheets no sleeping business 111

Photo/Camera

The trials of a photo buyer 113

Stationery

Price cuts sharpen pencil profits 117

Classified Mart........................ 118

CHAIN STORE AGE General Merchandise Trends (ISSN [illegible]) is published monthly by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Retailers: $12 a year; three years, $32. Wholesalers, manufacturers, schools, libraries and all others: $20 a year. Foreign subscriptions: Airmail only, $100 a year. Single copy rate $2. Second Class postage paid at New York, N.Y., and at additional mailing offices. Vol. 61, No. 6. Copyright © 1985 by Lebhar-Friedman Inc. All rights reserved.
ALL CORRESPONDENCE should be addressed to Executive Offices, Chain Store Age General Merchandise Trends, 425 Park Ave., New York, N.Y. 10022. For a change of address, six weeks notice to Circulation Fulfillment Director, 80 Park Ave., New York, N.Y. 10157, is requested. Give old and new address and zip code. If possible enclose address portion from cover on previous issue. Postmaster: Please send address changes to Chain Store Age, General Merchandise Trends, Subscription Dept., 80 Park Ave., New York, N.Y. 10157. Member Audit Bureau of Circulations, Second Class Mail Publications Inc., and Magazine Publishers Association.

Copyright © 1985 by Lebhar-Friedman Inc.

A CURIOUS, DISAPPOINTING YEAR:

1984

In a year filled with takeovers and acquisitions, retailers found everyday business difficult as consumers turned tight-fisted in the fourth quarter.

While not considered a "sexy" industry on the Street, retailing had its share of excitement in 1984.

Two financial analysts from major investment houses were sitting at a meeting a few days after The Limited launched its bid for Carter Hawley Hale last year. When the conversation finally got around to the hostile takeover attempt, one analyst sighed, "It's about time. Retailing can be so boring."

It has often been observed on the Street that retailing, if not exactly boring, is certainly not one of the "sexy" industries. It seems so much more glamorous to mine for small hi-tech companies that will grow by 2,000% over the next three years, or hypothesize how much an oil company's wells would fetch if they were sold off by some corporate raider.

Over the years retailers have been able to derive some measure of comfort from the knowledge that they were not at the top of every raider's hit list. Presumably that freed management to go about its everyday business, which in many cases was challenging enough.

Now all of that may be changing. Even though 1984's most notable takeover attempt, The Limited's bid, failed, retailing saw a record number of acquisitions and mergers last year. And the pace has not slowed since then, as recent purchases of G. C. Murphy and Gaylord's indicate.

No Pickens, yet: Industry analysts count some 130 mergers throughout all forms of retailing last year. Few were conducted with the acerbity which characterized The Limited's bid and CHH's defense, and retailing has yet to see its T. Boone Pickens emerge. Yet, numerous small or underperforming chains, looking out over an increasingly difficult and competitive marketplace, did succumb to the overtures of more powerful, skilled companies ready to grow by acquisition.

By now the scenarios are familiar:

- A powerful chain, one whose stores are pumping out impressive sales per square foot, eyes a weak operator in its own or adjacent markets. The prey is often owned by a larger company which wants to get out of retailing, or at least out of that particular segment of the business.

Soon after the deal is consummated the acquirer moves in and furi-

Fourth quarter depresses earnings gain for Top 15 retailers

Company	1983 Volume (000 omitted)	1984 Volume (000 omitted)	% Sale change	1983 Earnings (000 omitted)	1984 Earnings (000 omitted)	% Earnings change	Earnings as % of sales
1. Sears, Roebuck & Co.[1]	20,439,000[1]	21,671,000[1]	+ 6.0[1]	654,000[1]	656,000[1]	+ 0.3[1]	3.0[1]
2. K mart	18,597,500	21,095,900	+13.4	492,300	499,100	+ 1.4	2.4
3. J. C. Penney	12,078,000	13,451,000	+11.4	467,000	435,000	− 6.9	3.2
4. Dayton Hudson	6,963,255	8,009,030	+15.0	243,187	259,346	+ 6.6	3.2
5. Federated[2]	7,215,000[2]	7,961,000[2]	+10.3[2]	683,000[2]	649,000[2]	− 4.9[2]	8.2[2]
6. Montgomery Ward	6,003,000	6,495,000	+ 8.1	40,000	53,000	+32.5	0.8
7. Wal-Mart	4,666,909	6,400,861	+37.2	196,244	270,767	+38.0	4.2
8. F. W. Woolworth[3]	5,456,000[3]	5,737,000[3]	+ 5.2[3]	118,000[3]	141,000[3]	+19.5[3]	2.5[3]
9. May Department Stores	4,190,900	4,762,400	+13.6	187,000	214,100	+14.5	4.5
10. Associated Dry Goods	3,717,827	4,106,645	+10.5	115,520	120,657	+ 4.4	2.9
11. R. H. Macy	3,466,144	4,065,139	+17.2	186,678	221,805	+18.8	5.5
12. Allied Stores	3,675,873	3,970,409	+ 8.0	128,471	140,733	+ 9.5	3.5
13. Carter Hawley Hale[3]	3,101,082[3]	3,724,294[3]	+20.1[3]	55,385[3]	27,130[3]	−51.0[3]	0.7[3]
14. Melville[2]	3,188,100[2]	3,523,562[2]	+10.5[2]	313,300[2]	329,700[2]	+ 5.2[2]	9.4[2]
15. BATUS[2]	3,145,050[2]	3,374,261[2]	+ 7.3[2]	218,200[2]	195,870[2]	−10.2[2]	5.8[2]
Totals and averages	106,400,224	118,347,561	+11.2	4,099,470	4,213,307	+ 2.7	3.6

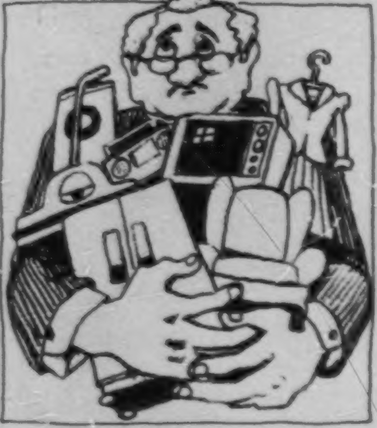
[1] U.S. merchandising only [2] General merchandise sales and operating earnings only [3] Continuing operations only
Source: Chain Store Age research/annual reports

ously begins remodeling stores. Within six months, maybe a year, the stores are doing 50% more sales, and the acquiring company's earnings bolt ahead.

- Or, a large chain, operating primarily in a mature, even dying segment of the business, sees its own long-term growth curtailed. Knowing there are only so many possible companies in its own business to acquire, and realizing that everyone else is also after these companies, the large operator decides it is time to diversify its portfolio.

The chain rapidly begins buying up small chains in other segments of retailing, most often specialty stores which can exploit special niches if they have the proper resources. In this case the acquirer does not covet the weak and the tottering, but the strong and the aggressive. Within a few days of each purchase the acquiring company announces it is keeping present management and rolling out dozens, if not hundreds, of these stores over the next few years.

- Or, a modest-sized public company, one whose stores are performing reasonably well, sees its stock price continue to slide for no good reason. Realizing that big portfolio managers do not pay much attention to a company unless its assets top $100 million, the company knows its stock will probably be chronically undervalued over the next few years, making the chain vulnerable to anyone with a few bucks to spend and a little ambition. The solution: Go private and find refuge from the sharks.



A slowdown in spending by consumers swelled inventories and kept profits modest. Income for the Top 15 general merchandise chains in '84 advanced just 2.7%.

Taken together these scenarios account for most of the major financial transactions which have recently taken place in retailing. Dollar General, for instance, snapped up 280 stores from an Interco which wanted out of variety store retailing and then quickly converted the units. Partially because of the rapid changeover, earnings for the chain grew 36.2% this year. Happy with that kind of growth, Dollar General recently went out and bought another chain from Interco, the 208-store Eagle operation.

Plenty of candidates: The department store tier is filled with underperformers. At the start of the year perennial powerhouse Dillard's went out and acquired the problematic Stix, Baer & Fuller stores from Associated Dry Goods. Dillard's quickly loaded the acquired stores with stock and nearly doubled advertising. Sales shot up and costs associated with the move didn't seem to hurt Dillard's much. Earnings climbed more than 45% on a 50% sales gain.

Apparently satisfied with that kind of gain, Dillard's purchased the John A. Brown and Diamond's department stores from Dayton Hudson.

While regionals like Dollar General and Dillard's were on the acquisition kick, national chains continued to expand beyond their principal businesses. K mart's buying spree this year included an obscure, young home center chain and two blue-chip companies, Waldenbooks and Pay Less Drug Stores. In each case what K mart got was aggressive, knowledgeable management operating in highly focused niches. By 1989 K mart believes these and other divisions outside of its discount stores can contribute 25% of corporate sales.

With all of this acquisition activity taking place it isn't surprising that one of Wall Street's favorite maneuvers these days, the leveraged buyout, also figured prominently in the 1984 retail picture. Duckwall-ALCO, tired of contending with an undervalued stock, went private again. Pay 'n Save, the diversified retailer facing two troublesome stockholders, also sought the protection of a LBO.

A curious year: While all of this activity may have produced a few more headlines for retailers, it didn't obscure the fact that 1984 was basically a disappointing year, and a curious one.

Just when so many industry observers were saying that retailers had learned their lessons during the last recession, that buyers were more conservative and had a handle on inventory, the consumer turned reluctant and inventories swelled.

What produced the slowdown in spending during the fourth quarter is anybody's guess. Everything from Walter Mondale's campaign to the budget deficit has been blamed. Traditional economic indicators of where spending is going did not prove very valuable. Personal income was up, unemployment down, consumer confidence high. But still shoppers stopped shopping, at least until everything went on sale.

What was most dramatic about the falloff in consumer spending was the speed with which it occurred. As early as the middle of the summer *Chain Store Age's* own buying intentions research showed that consumers were still in an acquisitive frame of mind. But even then there were telltale signs of trouble. Recently hot products like home computers and telephones suddenly seemed to be turning consumers off.

The price cutting which followed that sudden decline in spending was disheartening to the industry. Even hot products like VCRs were footballed all over the place. By mid-November a decent brand-name VCR could be had in most major markets for under $300.

Just how stingy the consumer became was apparent in the slowdown on the soft goods side of the store. Price cutting on imported apparel, which reached store shelves in record amounts this year, presented the consumer with some of the best values available in several seasons. But still, apparel sales declined in both November and December.

The sales slowdown virtually guaranteed that last year's record-setting pace of importing would increase. Indeed, importing itself became a major story last year as retailers scrambled to satisfy a more demanding customer but faced an increasingly protectionist government.

Despite government quotas, importing continues to grow and has lately moved out beyond typical ar-

Dillards big winner; Dayton Hudson off

Company	% change sales	% change op. inc.	Op. inc. % sales	Avg. sales per store	Sales per gross sq. ft.	Op. inc. per gross sq. ft.	% Op. inc. ROA	% change compound sales '77-'84	% change compound op. inc. '77-'84
Allied	+ 8.8[1]	+ 5.8	8.8	$14,466,885[1]	$108[1]	$ 8.56	11.8	8.1	13.2
Associated Dry Goods[1]	+ 4.7	+ 5.5	+ 8.4	16,283,821	104	9.81	28.2	7.4	10.4
Carter Hawley Hale[1]	+ 18.3	− 6.7	4.1	21,909,200	122	4.93	13.2	8.8	− 1.5
Dayton Hudson[1]	+ 4.8	−31.0	6.8	34,333,000	172	11.77	14.6	5.6	8.8
Dillard's	+ 50.7	+ 42.5	11.8	15,906,000	114	12.62	18.7	26.7	32.9
Federated[2]	10.6	− 2.8	8.4	29,846,454	146	13.75	15.6	8.9	6.8
R. H. Macy	+ 17.2	+ 25.6	12.4	43,015,873	173	21.90	23.9	14.6	21.2
May Co.[1]	+ 10.8	+ 10.5	10.4	22,862,076	186	18.94	16.9	7.8	9.3
Mercantile	+ 5.8	+ 2.3	10.3	22,024,567	178	17.36	17.8	9.9	14.6
Composite	+ 11.8	+ 4.6	9.5	23,823,572	132	13.07	17.8	+ 10.9	+ 12.6

[1]Dept. Stores [2]Dept./Specialty Stores only Source: Chain Store Age research/annual reports

Ward heals slowly; Penney, Sears slip

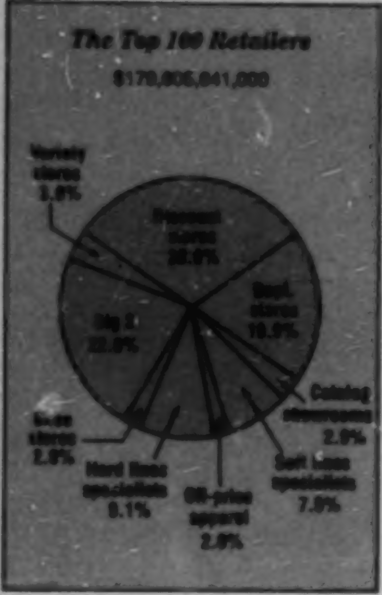
Company	% change sales	% change op. inc.	Op. inc. % sales	Avg. sales per store	Sales per gross sq. ft.	Op. inc. per gross sq. ft.	% Op. inc. ROA	% change compound sales '77-'84	% change compound op. inc. '77-'84
Penney	+ 12.1	− 0.5	7.8	$11,920,333[3]	$ 94[2,3]	$ 8.82	12.8	+ 4.4	+ 8.4
Sears[1]	+ 6.8	− 10.3	5.3	19,097,509[2]	130[2]	10.24	5.8	+ 5.2	− 2.3
Ward	+ 8.2	+ 9.5	6.1	13,640,540[2]	89[2]	9.34	11.9	+ 9.8	+ 30.5
Composite	+ 8.1	− 2.7	6.3	15,448,109[2]	112[2]	9.83	8.7	+ 5.5	+ 6.7

[1]U.S. Merchandising [2]Excludes catalog sales [3]Main stores Source: Chain Store Age research/annual reports

Top discount chains post impressive results

Company	% change sales	% change op. inc.	Op. inc. % sales	Avg. sales per store	Sales per gross sq. ft.	Op. inc. per gross sq. ft.	% Op. inc. ROA	% change compound sales '77-'84	% change compound op. inc. '77-'84
Ames	+ 27.8	+ 49.3	6.1	$ 4,751,144	$ 92	$ 6.56	18.2	+ 22.7	+ 22.4
Bradlees	+ 18.8	+ 5.9	6.1	10,884,984	136	9.47	17.4	+ 21.1	+ 24.7
Gold Circle/ Richway	+ 6.9	− 18.2	3.0	12,993,865	110	3.85	7.9	+ 12.3	+ 6.6
Heck's	+ 7.8	− 155.0	—	3,741,935	75	—	—	+ 4.7	—
Jamesway	+ 14.8	+ 17.0	5.2	5,869,135	97	5.04	13.7	+ 14.4	+ 12.8
K mart[1]	+ 11.3	+ 4.7	4.8	9,347,946	143	6.14	9.2	+ 9.5	+ 7.8
Rose's	+ 11.8	+ 5.0	4.5	4,883,180	103	4.66	16.4	+ 12.8	+ 17.1
Target	+ 14.8	+ 33.8	6.6	16,994,761	173	11.70	17.1	+ 26.8	+ 26.3
Venture	+ 19.1	+ 14.2	5.3	16,836,363	146	7.78	15.5	+ 12.1	+ 43.3
Wal-Mart	+ 37.8	+ 41.1	7.8	9,217,142	186	14.12	22.5	+ 38.9	+ 44.8
Zayre[1]	+ 16.4	+ 34.6	5.6	7,756,183	97	5.81	16.8[2]	+ 7.2	+ 17.3
Composite	+ 14.6	+ 17.6	5.2	9,145,365	130	7.22	13.1	+ 14.6	+ 18.6

[1]Discount store only [2]Total corporate
Source: Chain Store Age research


The Top 100 Retailers

$170,806,841,000

eas like clothing and electronics. Even stationery buyers have turned to the Orient for items as prosaic as pencils and notebook filler paper.

Even with the presence of so much imported merchandise bolstering the bottom line, most retailers turned in earnings that were far below expectations. Although sales for the top 15 general merchandise chains advanced more than 11%, earnings moved ahead just 2.7%. Earnings as a per cent of sales were 3.6%, compared to 3.9% last year.

The intensely promotional nature of the year is reflected in several key performance indicators. The top nine department stores tracked by *CSA* showed a healthy 11.8% composite sales gain. Sales per store jumped nearly $4 million on big gains at R. H. Macy, Carter Hawley Hale and others.

But earnings did not follow sales. Operating income for the nine companies advanced just 4.6% while the ratio of profits to sales declined from 9.8% in 1983 to 9.5% last year.

While Dillards' proved a big winner and May had a solid year, steady performers like Allied and Associated Dry Goods could manage modest operating profit gains of less than 6%.

Top discount stores, on the other hand, appeared more at ease with the intensely promotional climate. While the chains tracked by *CSA* could not match 1983's 60.2% gain in operating profits, they did produce a 17.8% increase last year. Among the big winners: Wal-Mart, Zayre

Top 100 chain stores, 1984

Rank	Company	1983 Sales (000 omitted)	1983 Stores	1984 Sales (000 omitted)	1984 Stores	% Sales change
1	Sears[1] (Chicago)	[illegible]	813	[illegible]	798	+ 6.6
2	K mart (Troy, Mich.)	[illegible]	2,547	[illegible]	3,320	+13.4
	• K mart	[illegible]	2,188	[illegible]	2,173	+11.4
3	J. C. Penney (N.Y.)	[illegible]	2,014	[illegible]	1,994	+11.4
4	Dayton Hudson (Minneapolis)	[illegible]	1,875	[illegible]	1,136	+16.6
	• Target	[illegible]	205	[illegible]	215	+13.9
	• Mervyn's	[illegible]	109	[illegible]	128	+20.6
	• Dayton Hudson	[illegible]	36	[illegible]	36	+17.4
	• B. Dalton	[illegible]	701	[illegible]	781	+10.6
	• Lechmere	[illegible]	6	[illegible]	8	+23.3
5	Federated[2] (Cincinnati)	[illegible]	434	[illegible]	463	+10.3
	• Bloomingdale's	[illegible]	14	[illegible]	15	+14.6
	• Abraham & Straus	[illegible]	15	[illegible]	15	+ 6.7
	• Burdines	[illegible]	25	[illegible]	26	+ 9.7
	• Foley's	[illegible]	15	[illegible]	17	+ 9.6
	• Bullock's	[illegible]	23	[illegible]	22	+14.4
	• Gold Circle	[illegible]	56	[illegible]	58	+ 6.4
	• Rich's	[illegible]	17	[illegible]	18	+10.2
	• Lazarus	[illegible]	17	[illegible]	17	+ 7.6
	• Sanger Harris/Levy's	[illegible]	18	[illegible]	18	+12.6
	• Richway	[illegible]	31	[illegible]	31	+ 7.7
	• Shillito Rikes	[illegible]	14	[illegible]	14	+ 6.9
	• Filene's	[illegible]	14	[illegible]	15	+12.2
	• I. Magnin	[illegible]	25	[illegible]	25	+12.2
	• Filene's Basement	[illegible]	14	[illegible]	15	+24.7
	• Goldsmith's	[illegible]	6	[illegible]	6	+11.6
	• Boston Store	[illegible]	8	[illegible]	8	+13.6
	• The Children's Place	[illegible]	114	[illegible]	130	+31.6
6	Montgomery Ward (Chicago)	[illegible]	327	[illegible]	322	+ 6.2
	• Jefferson Ward[2]	[illegible]	48	[illegible]	44	− 3.4
7	Wal-Mart (Bentonville, Ark.)	[illegible]	645	[illegible]	756	+37.3
8	F. W. Woolworth (N.Y.)	[illegible]	5,276	[illegible]	5,540	+ 1.5
	• U.S. Woolworth	[illegible]	1,230	[illegible]	1,210	+ 4.7
9	May Dept. Stores (St. Louis)	[illegible]	1,584	[illegible]	1,884	+13.6
	• Venture	[illegible]	81	[illegible]	87	+17.6
	• May California	[illegible]	34	[illegible]	34	+ 8.5
	• Volume Shoes	[illegible]	1,389	[illegible]	1,862	+27.3
	• Hecht	[illegible]	23	[illegible]	23	+11.4
	• Famous-Barr	[illegible]	16	[illegible]	16	+ 8.6
	• Kaufmann's	[illegible]	11	[illegible]	11	+ 6.6
	• May-Cleveland	[illegible]	10	[illegible]	10	+ 8.7
	• Meier & Frank	[illegible]	7	[illegible]	7	+ 3.7
	• G. Fox	[illegible]	8	[illegible]	8	+11.4
	• May D & F	[illegible]	11	[illegible]	12	+20.4
	• O'Neil's	[illegible]	10	[illegible]	10	+ 6.5
	• Strouss	[illegible]	8	[illegible]	8	+ 6.6
	• May-Cohen's	[illegible]	6	[illegible]	6	+ 2.8
10	Associated Dry Goods[3] (N.Y.)	[illegible]	318	[illegible]	333	+10.5
	• Caldor	[illegible]	95	[illegible]	103	+13.2
	• Lord & Taylor	[illegible]	40	[illegible]	42	+10.3
	• J. W. Robinsons (Calif.)	[illegible]	21	[illegible]	21	+10.6
	• Loehmann's	[illegible]	67	[illegible]	72	+ 9.2
	• L. S. Ayers	[illegible]	18	[illegible]	18	+ 9.1
	• Sibley	[illegible]	14	[illegible]	14	+10.6
	• Horne	[illegible]	13	[illegible]	13	+ 8.8
	• Denver Dry Goods	[illegible]	12	[illegible]	12	+13.3
	• Hahne	[illegible]	8	[illegible]	8	+ 7.1
	• Goldwater's	[illegible]	9	[illegible]	9	+ 8.6
	• Robinson's (Fla.)	[illegible]	7	[illegible]	7	+11.9
	• Stewart's	[illegible]	7	[illegible]	7	+ 7.1
	• Powers	[illegible]	7	[illegible]	7	+ 4.2
11	R. H. Macy[3] (N.Y.)	[illegible]	90	[illegible]	96	+17.2
	• Bambergers	[illegible]	23	[illegible]	23	+13.7
	• Macy's New York	[illegible]	17	[illegible]	19	+10.6
	• Macy's California	[illegible]	22	[illegible]	23	+10.3
	• Davison's	[illegible]	13	[illegible]	14	+23.5
	• Macy's Midwest	[illegible]	16	[illegible]	17	+ 7.3
12	Allied Stores[3] (N.Y.)	[illegible]	570	[illegible]	587	+ 8.6
	• Jordan Marsh (NE)	[illegible]	16	[illegible]	17	+ 8.9
	• The Bon	[illegible]	36	[illegible]	37	+ 8.3
	• Joske's	[illegible]	29	[illegible]	29	+ 7.5
	• Stern's	[illegible]	16	[illegible]	17	+11.4
	• Maas Bros.	[illegible]	19	[illegible]	19	+ 6.7
	• Jordan Marsh (Fla.)	[illegible]	15	[illegible]	15	+ 4.6
	• Brooks Bros.	[illegible]	36	[illegible]	47	+16.9
	• Pomeroy's	[illegible]	14	[illegible]	16	+ 7.7
	• Bonwit Teller	[illegible]	14	[illegible]	15	+12.9
	• Miller & Rhoads	[illegible]	22	[illegible]	22	+ 8.3
	• Donaldson's	[illegible]	9	[illegible]	9	+ 9.1
	• Garfinckel's	[illegible]	10	[illegible]	10	+10.6
	• Miller's	[illegible]	12	[illegible]	13	+11.1
	• Read's	[illegible]	6	[illegible]	6	+20.6
	• Block's	[illegible]	9	[illegible]	11	+ 3.6

The speed with which spending dropped off took retailers by surprise.

and Target.

Particularly noteworthy about that increase in earnings is that it came on a smaller percentage gain in sales, 14.6%. Discount stores clearly got hurt less by last minute markdowns than department stores. Store productivity was up modestly. Sales per store advanced to $9.15 million for the top discount stores, from $8.27 million last year.

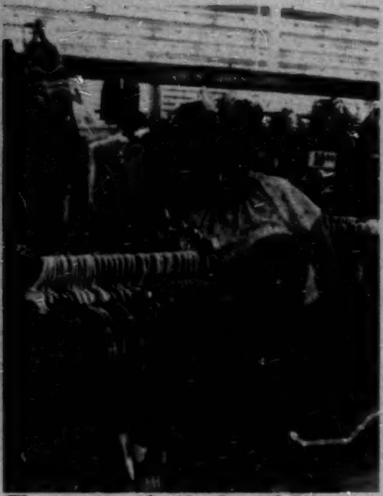
Tough for national chains: The year proved especially difficult for national chains. In the midst of its big gamble to cast itself as a department store chain, Penney's profits tumbled nearly 7%. In an industry which contains its share of rumors, talk is already abroad that Penney is now carefully re-evaluating some of its repositioning strategies.

K mart's mediocre earnings proved the year's biggest surprise. Through the first three quarters earnings were way ahead and K mart was encouraging analysts in predictions that year-end profits would be up at least 15%. But poor systems gave K mart execs a distorted picture of what was transpiring until the holiday selling season was virtually over.

One of the year's most significant profit declines among major retailers does not show up on *CSA*'s chart. R. H. Macy, which ended another banner fiscal year last July, before the slowdown began, lost some of its mystique in the first six months of its current year, when profits tumbled 6%. With excessive inventories a nagging problem and everyone promoting heavily, Macy's

Top 100 chain stores, 1984

Rank	Company	1983 Sales (000 omitted)	1983 Stores	1984 Sales (000 omitted)	1984 Stores	% Sales change
13	Carter Hawley Hale[2] (L.A.)	[illegible]	242	[illegible]	268	+20.1
	• Broadway So. Calif.	[illegible]	40	[illegible]	40	+15.3
	• Emporium Capwell	[illegible]	21	[illegible]	22	+15.8
	• Neiman-Marcus	[illegible]	18	[illegible]	21	+21.8
	• John Wanamaker's	[illegible]	16	[illegible]	16	+10.4
	• Weinstock's	[illegible]	12	[illegible]	12	+10.3
	• Thalhimer	[illegible]	25	[illegible]	25	+13.6
	• Holt Renfrew	[illegible]	17	[illegible]	16	+13.9
	• Broadway Southwest	[illegible]	10	[illegible]	10	+17.2
	• Contempo Casuals	[illegible]	79	[illegible]	105	+29.0
	• Bergdorf Goodman	[illegible]	1	[illegible]	1	+66.7
14	Melville[2] (Harrison, N.Y.)	[illegible]	5,234	[illegible]	5,356	+10.8
	• Kay Bee Toys & Hobby	[illegible]	456	[illegible]	533	+23.4
15	Batus[2] (Louisville)	[illegible]	232	[illegible]	247	+ 7.3
	• Saks	[illegible]	38	[illegible]	40	+12.4
	• Marshall Field	[illegible]	21	[illegible]	21	+ 8.[illegible]
	• Gimbels-East	[illegible]	26	[illegible]	20	+ 3.2
	• Frederick & Nelson	[illegible]	15	[illegible]	15	+ 3.1
	• Kohl's	[illegible]	31	[illegible]	34	+16.1
	• Gimbels-Milwaukee	[illegible]	11	[illegible]	9	+ 5.8
	• Gimbels-Pittsburgh	[illegible]	7	[illegible]	7	+ 3.1
	• Ivey's-Carolinas	[illegible]	13	[illegible]	13	+ 9.1
	• Ivey's-Florida	[illegible]	12	[illegible]	12	+10.8
16	Zayre (Framingham, Mass.)	[illegible]	749	[illegible]	847	+17.3
	• Zayre	[illegible]	275	[illegible]	290	+16.4
	• Hit or Miss/T. J. Maxx	[illegible]	474	[illegible]	557	+30.4
17	Wickes (San Diego)	[illegible]	2,000	[illegible]	1,084	+ 6.6
18	Household Merchandising[2] (Chicago)	[illegible]	3,987	[illegible]	3,451	+ 1.3
	• T.G. & Y.	[illegible]	812	[illegible]	743	− 6.6
	• Ben Franklin	[illegible]	1,063	[illegible]	1,629	+ 4.8
19	Tandy Corp. (Fort Worth)	[illegible]	8,868	[illegible]	9,018	+10.6
20	Best Products (Richmond, Va.)	[illegible]	197	[illegible]	204	+16.8
21	Lucky[2] (Dublin, Calif.)	[illegible]	1,062	[illegible]	854	+ 8.2
	• Gemco[2]	[illegible]	76	[illegible]	77	+ 8.8
22	Belk (Charlotte, N.C.)	[illegible]	336	[illegible]	350	+12.1
23	W. R. Grace (N.Y.)	[illegible]	663	[illegible]	653	+10.8
24	Mercantile[2] (N.Y.)	[illegible]	77	[illegible]	79	+ 5.8
	• Gayfers	[illegible]	12	[illegible]	12	+ 3.1
	• McAlpin's	[illegible]	9	[illegible]	9	+11.1
	• Jones	[illegible]	7	[illegible]	7	+ 5.6
	• Castner Knott	[illegible]	[illegible]	[illegible]	11	+12.8
	• Joslins	[illegible]	9	[illegible]	10	+15.6
	• Gayfers/Montgomery Fair	[illegible]	6	[illegible]	6	+ 7.7
	• Bacon's	[illegible]	6	[illegible]	6	+22.6
	• JB White	[illegible]	7	[illegible]	7	+ 7.1
	• Lion	[illegible]	3	[illegible]	3	+11.1
25	Toys "R" Us (Rochelle Park, N.J.)	[illegible]	178	[illegible]	203	+20.8
26	Service Merchandise (Nashville)	[illegible]	173	[illegible]	205	+18.6
27	McCrory Corp. (N.Y.)	[illegible]	1,512	[illegible]	1,523	+ 6.8
	• McCrory	[illegible]	716	[illegible]	723	+12.2
	• Lerner	[illegible]	796	[illegible]	800	− 1.3
28	Fred Meyer (Portland)	[illegible]	88	[illegible]	98	+27.7
29	SCOA (Hills) (Canton, Mass.)	[illegible]	886	[illegible]	882	+ 9.1
30	Bradlees (Braintree, Mass.)	[illegible]	127	[illegible]	132	+18.4
31	The Limited (Columbus)	[illegible]	1,412	[illegible]	2,475	+23.7
32	Dillard's (Little Rock)	[illegible]	62	[illegible]	93	+60.7
33	U.S. Shoe Corp. (Cincinnati)	[illegible]	1,836	[illegible]	1,879	+17.6
34	Meijer (Grand Rapids)	[illegible]	49	[illegible]	52	+11.1
35	Edison Bros. (St. Louis)	[illegible]	2,175	[illegible]	2,356	+ 3.3
36	Nordstrom's (Seattle)	[illegible]	37	[illegible]	41	+24.7
37	Petrie (Secaucus, N.J.)	[illegible]	953	[illegible]	1,370	+52.6
38	Rose's (Henderson, N.C.)	[illegible]	183	[illegible]	197	+11.4
39	G. C. Murphy (McKeesport, Pa.)	[illegible]	460	[illegible]	383	+ 4.7
40	Ames (Rocky Hill, Conn.)	[illegible]	158	[illegible]	180	+28.5
41	Western Auto (Kansas City)	[illegible]	2,400	[illegible]	2,450	+ 7.4
42	Super Valu[2] (Green Bay)	[illegible]	35	[illegible]	39	+15.2
	• ShopKo	[illegible]	39	[illegible]	39	+28.4
43	Strawbridge & Clothier (Philadelphia)	[illegible]	26	[illegible]	31	+15.2
	• Clover	[illegible]	18	[illegible]	19	+16.3
44	Hartmarx (Chicago)	[illegible]	438	[illegible]	453	+13.6
45	Fedco (Santa Fe Springs, Calif.)	[illegible]	8	[illegible]	8	+28.6
46	Carson Pirie Scott (Chicago)	[illegible]	24	[illegible]	296	+14.6
47	INTERCO (St. Louis)	[illegible]	501	[illegible]	283	−21.4
48	The Gap (San Bruno, Calif.)	[illegible]	556	[illegible]	623	+11.2
49	H. J. Wilson (Baton Rouge)	[illegible]	79	[illegible]	79	+ 1.6
50	Circuit City (Richmond)	[illegible]	97	[illegible]	96	+46.4



The consumer's stinginess became apparent quickly in soft lines.

brand of power retailing no longer seemed so distinctive to shoppers.

While no one benefited from the intensely promotional fourth quarter, the slowdown in spending came at a particularly inopportune time for Carter Hawley Hale. Finally rid of The Limited takeover bid and free to concentrate on its business, CHH went after market share with aggressive advertising and price-cutting programs. Sales responded, jumping more than 19% in department stores (16.9% on a same-store basis). But at what price sales? Earnings in department stores dipped 5.4%.

Not all the news from large chains was bad. F. W. Woolworth continues its climb back with a strategy which emphasizes more productivity in its variety stores and a continued move into specialty retailing. By year-end some 300 variety stores will sport the successful new format, which is producing 30% better sales and 45.5% higher earnings than traditional Woolworth stores.

Then there is Wal-Mart. Even though the chain grabbed headlines for switching its president and vice chairman, the real news was that the Sam's Wholesale Club division is chugging along at an annualized sales rate of $700 million. Costs associated with rapidly expanding that division did not hurt corporate profits much. They rose 38%. Long an industry powerhouse, Wal-Mart is now frequently mentioned as a potential suitor for the many small and midsized discount chains which operate in its expanding territory. ☐

—Steve Malanga

Top 100 chain stores, 1984

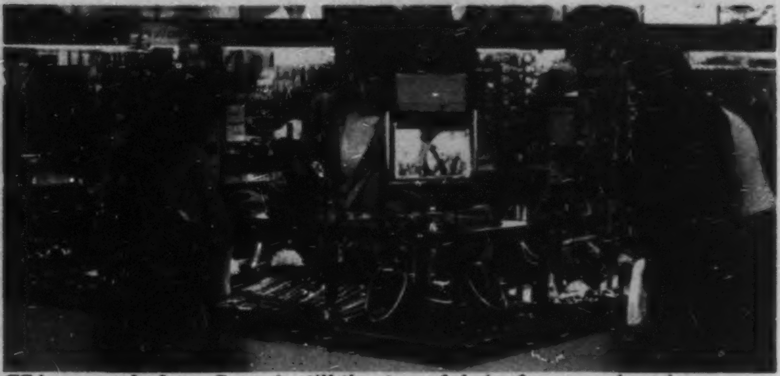
Rank	Company	1983 Sales (000 omitted)	1983 Stores	1984 Sales (000 omitted)	1984 Stores	% Sales change
51	Dollar General (Scottsville, Ky.)	[illegible]	1,127	[illegible]	1,088	[illegible]
52	Jamesway (Secaucus, N.J.)	[illegible]	78	[illegible]	85	[illegible]
53	Heck's (Charleston, W. Va.)	[illegible]	122	[illegible]	125	[illegible]
54	Woodward & Lothrop (Washington, D.C.)	[illegible]	16	[illegible]	16	[illegible]
55	Pamida (Omaha)	[illegible]	164	[illegible]	168	[illegible]
56	Consumers Distrib.—U.S. (Edison, N.J.)	[illegible]	134	[illegible]	160	[illegible]
57	General Mills (Minneapolis)	[illegible]	222	[illegible]	224	[illegible]
58	Child World (Avon, Mass.)	[illegible]	90	[illegible]	104	[illegible]
59	C. R. Anthony Co. (Oklahoma City)	[illegible]	296	[illegible]	288	[illegible]
60	Silo (Philadelphia)	[illegible]	72	[illegible]	97	[illegible]
61	Duckwall-ALCO (Abilene, Kan.)	[illegible]	156	[illegible]	158	[illegible]
62	Schottenstein Stores (Columbus)	[illegible]	39	[illegible]	42	[illegible]
63	The Price Club[2] (San Diego)	[illegible]	11	[illegible]	15	[illegible]
64	Family Dollar (Charlotte, N.C.)	[illegible]	635	[illegible]	765	[illegible]
65	Bealls (Jacksonville, Tex.)	[illegible]	126	[illegible]	135	[illegible]
66	Burlington Coat Factory (Burlington, N.J.)	[illegible]	42	[illegible]	66	[illegible]
67	Spencer Gifts (Pleasantville, N.J.)	[illegible]	435	[illegible]	483	[illegible]
68	Oshman's (Houston)	[illegible]	186	[illegible]	192	[illegible]
69	SE Nichols (N.Y.)	[illegible]	42	[illegible]	43	[illegible]
70	Elder-Beerman (Dayton)	[illegible]	21	[illegible]	21	[illegible]
71	Cook's United (Maple Heights, Ohio)	[illegible]	94	[illegible]	53	[illegible]
72	OTASCO (Tulsa)	[illegible]	288	[illegible]	286	[illegible]
73	House of Fabrics (Van Nuys, Calif.)	[illegible]	684	[illegible]	740	[illegible]
74	Hess's (Allentown, Pa.)	[illegible]	29	[illegible]	32	[illegible]
75	D. H. Holmes (New Orleans)	[illegible]	14	[illegible]	15	[illegible]
76	Prange (Prangeway) (Green Bay)	[illegible]	71	[illegible]	74	[illegible]
77	Higbee (Cleveland)	[illegible]	11	[illegible]	11	[illegible]
78	Pier I Imports (Forth Worth)	[illegible]	321	[illegible]	351	[illegible]
79	Jacobson Stores (Jackson, Mich.)	[illegible]	18	[illegible]	19	[illegible]
80	Charming Shoppes (Bensalem, Pa.)	[illegible]	303	[illegible]	362	[illegible]
81	Pic 'N' Save (L.A.)	[illegible]	85	[illegible]	90	[illegible]
82	Federated Group (City of Commerce, Calif.)	[illegible]	20	[illegible]	43	[illegible]
83	Jewelcor (Wilkes-Barre, Pa.)	[illegible]	24	[illegible]	24	[illegible]
84	Fabri Centers (Cleveland)	[illegible]	628	[illegible]	657	[illegible]
85	B. Altman (N.Y.)	[illegible]	6	[illegible]	6	[illegible]
86	Bergner's (Peoria, Ill.)	[illegible]	25	[illegible]	25	[illegible]
87	Lionel Leisure (Philadelphia)	[illegible]	56	[illegible]	52	[illegible]
88	Boscov's (Reading, Pa.)	[illegible]	9	[illegible]	10	[illegible]
89	J.Byron's (Miami)	[illegible]	46	[illegible]	57	[illegible]
90	Ross Stores (South San Francisco)	[illegible]	26	[illegible]	66	[illegible]
91	Godchaux/Maison Blanche (Baton Rouge)	[illegible]	8	[illegible]	7	[illegible]
92	Liberty House (Honolulu)	[illegible]	48	[illegible]	50	[illegible]
93	Syms (N.Y.)	[illegible]	11	[illegible]	12	[illegible]
94	Orbach's (N.Y.)	[illegible]	12	[illegible]	12	[illegible]
95	Pacific Stereo (Emeryville, Ca.)	[illegible]	81	[illegible]	85	[illegible]
96	Wieboldt Stores (Chicago)	[illegible]	13	[illegible]	13	[illegible]
97	Danners 3D (Indianapolis)	[illegible]	56	[illegible]	55	[illegible]
98	Younkers (Des Moines)	[illegible]	29	[illegible]	29	[illegible]
99	Sprouse-Reitz (Portland, Ore.)	[illegible]	320	[illegible]	317	[illegible]
100	Howland-Steinbach, Hochschild Kohn (White Plains, N.Y.)	[illegible]	34	[illegible]	29	[illegible]
	Totals	[illegible]	61,113	[illegible]	64,683	[illegible]

Divisional totals are not duplicated in the tabulation of United States general merchandise chain totals.
[1] U.S. only.
[2] General merchandise sales only.
[3] Divisional sales estimated.

Source: *Chain Store Age* research/annual reports.

Sears' performance in the second half of 1984 dipped as consumers tightened pursestrings. Reformatting stores to Store of the Future concept continued.

Sears' domestic profits inch ahead



CSA *research shows Sears is still the store of choice for many Americans.*

If America shops at Sears, as the chain's slogan once suggested, then when America stops shopping, Sears suffers.

As consumers tightened their purse strings in the second half of last year, Sears' performance dipped accordingly. In the third quarter, earnings for the entire Merchandise Group rose slightly on the strength of big gains in credit operations, but earnings from Sears stores here in the United States declined 20.5%. By the fourth quarter even the solid performance of the credit operations could not keep the entire Merchandise Group's earnings from sliding 3.1%.

For the full year, earnings for domestic merchandising barely inched ahead from $654 million in 1983 to $655 million last year. A LIFO credit of $70.9 million helped the bottom line considerably, but still Sears' domestic operations only accounted for 72.4% of the Merchandise Group's earnings last year, down from 83.7% of earnings the year before.

Although Sears has worked hard to boost its apparel business, it also proved soft. Children's wear volume actually began declining as Sears entered the key Christmas selling season. Both men's and women's apparel were basically flat during the period.

In the midst of this downturn in consumer spending, Sears continued to reformat its stores in the Store of the Future scheme. By early March, 111 stores were in that format and another 126 units are scheduled for this year. That includes 117 remodels and nine new stores.

Hand in hand with its Store of the Future strategy, Sears has begun testing a smaller prototype, one designed for markets of 20,000 to 100,000 people. The first such store was opened in Alma, Mich., with 8,300 sq. ft. of selling space. It focuses on key Sears categories: major appliances, electronics, paint and hardware.

Chain Store Age's own extensive research shows that Sears is still the store of choice for many Americans (*CSA*, May 1985). But until America starts shopping again Sears may not reap all of the benefits of that perception. In the first quarter of the current fiscal year, earnings for domestic merchandising declined 68%, from $25 million to $8 million.

In the midst of those problems, Sears probably cannot expect too much additional help from Sears Business Centers. The chain of stores selling computer hardware and software grew to 100 units in 1984, but Sears has put a hold on growth of the division. ☐

Gross margins slip

Heavy fourth quarter price cutting more than offset the positive effect Sears' Store of the Future program had on gross margins last year. After a big boost two years ago, gross margins at Sears slipped 0.2% in 1984 to 34.1% of sales.

The sluggishness of fourth quarter sales was clearly reflected in the amount of inventory which stacked up in the Sears pipeline. On a LIFO basis the chain ended up with inventories ahead 31.4% to $4.042 billion in 1984. By contrast, Sears closed out 1983 with 1% fewer dollars in inventory than the year before.

The year might have been worse for the nation's largest retailer had it not done a good job controlling expenses. SG&A rose just 0.2% even though the chain is in the midst of a costly remodeling program.

Another bright picture for the Merchandise Group was its credit services operation. Three years ago these operations posted a loss of $83 million, but last year they earned $243.5 million. Credit operations accounted for 26.8% of group earnings.

Year	Sales¹ (000 omitted)	Profits² (000 omitted)	Stores
1980	$16,831,000	$219,500	864
1981	18,223,000	352,300	861
1982	18,779,000	466,900	831
1983	21,436,700	654,300	813
[illegible]	[illegible]	[illegible]	[illegible]
'80-'84 change	+27.7%	+198%	−56 (−7.8%)

¹Fiscal year ended Dec. 31, 1984.
²U.S. Merchandising.
Source: CSA research

Bringing in higher-ticket branded goods helped K mart's image, but problems in weeding out old inventory to bring in the new resulted in heavy discounting.

K mart learns important lessons in '84

K mart's upscaling in areas such as housewares has paid off well.

K mart learned two very important lessons in 1984. The world's second largest retailer discovered that shoppers would spend money for higher-priced brand name goods in its stores. Considering how much K mart has staked on a strategy of upgrading its mix, that discovery must have come as no small relief.

But K mart also found what some in the industry have suspected: That the K mart systems and field force might not be up to executing these new programs very well, especially during a crucial transitional phase.

For most of 1984, earnings followed sales, and gross margins improved steadily. But then the bottom fell out of the year. As K mart store managers moved in the new goods they had to rid themselves of the old, sometimes at heavily discounted prices.

After nine months K mart's profits were ahead 21%, but in the fourth quarter earnings tumbled 17.8%, holding earnings for the year down to a barely noticeable 1.4% gain. For the year K mart earned $499 million on sales of $21.1 billion.

Exactly how dramatic the giant clearance sale must have been was illustrated by K mart's sharply declining gross margin. After six months the margin has been ahead more than a full point, to 28.8%, but pressure in the fourth quarter drove the margin for the year down to 27.7%.

K mart's top executives must have had some sense of the problem, although they clearly underestimated its magnitude. Shortly before Christmas the chain announced a reorganization which would place more emphasis on administration and operations. The new head of this unit, Joseph Thomas, was charged with getting POS systems into K mart, and quickly.

By the end of this year 140 key K mart stores throughout the country will have POS. Then the chain plans to add systems to 600 to 700 stores a year.

Even as K mart worked to reshape its discount division the company moved to see that it depended less on those stores for revenues. K mart made three major diversification moves in the year, snapping up two blue-chip companies, Waldenbooks and Payless Drug Stores, and a small home center chain which has enormous potential.

Of the 200 new stores K mart plans to open this year, just 25 will be discount stores. Waldenbooks will add about 70 units, while Designer Depot will grow from 52 to about 70 off-price clothing stores. Pay Less will add 27 drug stores, giving it 191, and the two cafeteria chains, Furr's and Bishop's, together will open 22 new locations. ☐

New ad strategy boosts SGA %

K mart's additional advertising commitment last year helped push the company's SG&A to 23.6% of sales, up from 23.1% of sales the previous year.

K mart spent $554 million on advertising in 1984 as it sought to lure customers in for a look at its new assortment and presentations. That sum represented a 30% gain in advertising dollars in just one year. The chain reportedly spent as much as $20 million just on its advertising program keyed to the 1984 Summer and Winter Olympic Games.

The K mart refurbishing program and the higher stock levels required for new assortments made it necessary for K mart to do more borrowing. As a result, interest expense soared to $106.8 million from only $46.1 million the year before. Acquisitions of Waldenbooks and Home Centers of America, which later became Builders Square, also contributed to the dramatic rise in interest expense.

Year	Sales (000 omitted)	Profits (000 omitted)	Stores
1980	$14,204,000	$261,000	2,242
1981	16,527,000	220,300	2,374
1982	16,772,000	261,800	2,370
1983	18,598,000	492,300	2,361
1984*	21,096,000	499,100	3,684
'80-'84 change	+48.5%	+91.2%	+1,442 (+64.3%)

*Fiscal year ended Jan. 30, 1985.
Source: CSA research

Due to an improved third quarter, J. C. Penney did not reduce inventory enough to avoid the fourth quarter crunch, characterized by slow sales and heavy promotions.

Penney fashionable, but margins down

TV ad spots helped J. C. Penney increase market share in soft lines.

J. C. Penney may have increased its fashion awareness among shoppers, but gross margins suffered due to high inventory. Gross margins slipped 0.4% to 32.9% on sales of $13.4 billion.

The nation's No. 3 retailer was not the only chain which suffered from excess inventory and depressed margins in the fourth quarter. But Penney has made a major effort to achieve merchandise dominance and boost market share with aggressive programs. Still, the chain continues to have major problems.

Early in 1984, the company was already aware that inventories were in excess of plan. But because gross margins improved during the third quarter, Penney did not reduce inventory enough to avoid the fourth-quarter crunch, characterized by slow sales and high promo activity. Even analysts were surprised. Having predicted that margins would decline about 0.5% in Penney's last quarter, analysts saw instead a 2.2% drop (on a FIFO basis). Management expects inventories to be on plan by the start of the second half of 1985.

Sales were up 11.4% companywide, to $13.4 billion, while operating profits dropped 7.3% to $435 million. Penney execs blame higher selling, general and administrative expenses, especially advertising costs, and higher interest expense from borrowing to finance high inventories. After switching to N. W. Ayer for institutional ads in 1984, ad expenditures jumped 22% to $465 million.

Those ad costs, however, started to pay off. "You're looking smarter than ever" TV spots for lines like Stafford and Lee Wright in men's wear, and Halston III in women's helped Penney increase market share in soft lines. About $1 of every $10 spent on men's and children's wear goes to Penney. Sales of women's and junior apparel increased 17% over '83 levels, and sales of national brands in these categories were up 26% over '83.

Full-line metro market stores were the best performers, with sales up 13.8%, and sales per gross square foot at $106. The number of soft line stores and geographic stores declined as Penney continued to close off unprofitable units. Softline stores had sales per gross square foot of $98, and geographic stores only $95. Sales for Penney stores and catalog operations rose 12.1% to $12.4 billion, while operating profits declined 6.9%. □

Credit cards collect customers

J. C. Penney's decision to broaden the use of credit cards appears to be paying off. Sales charged to the Penney card were up 15.6%, to $5.9 billion, in 1984, and those charged to outside cards were up 42.8% to $1 billion. More than half of all purchases made last year in Penney stores were on a credit card.

As it becomes more like a department store, Penney has been gradually expanding its credit-card horizons. VISA cards have been accepted since 1979, MasterCard since 1980 and 1984 saw American Express make its debut at Penney.

Penney has also increased the minimum payment on unpaid balances, although it is still below the department store average. Changes such as these will help make Penney's credit operation more asset-efficient, say execs, and will enable the chain to use credit cards as a sales tool.

Penney believes that credit-card customers are the best customers. Chain research shows that frequent shoppers make 70% of their purchases on credit cards, and the average credit sales ticket is twice that of a cash transaction. To generate further credit action, Penney did a target mailing early this year to inactive accounts. These customers could deduct 15% from all purchases made during one day on their Penney cards.

Year	Sales (000 omitted)	Profits[1] (000 omitted)	Stores
1980	$10,824,000	$283,000	2,119
1981	11,360,000	393,000	2,077
1982	11,414,000	430,000	2,046
1983	12,078,000	467,000	2,014
1984*	13,451,000	435,000	2,104
'80-'84 change	+24.3%	+53.7%	−15 (−0.01%)

*Fiscal year ended Jan. 26, 1985.
[1] Income from continuing operations.
Source: CSA research

At Dayton Hudson, revenue increases of 15% over 1983 were not strong enough to offset depressed earnings caused by the consolidation of the department stores.

Dayton Hudson breaks $8 billion in sales

Miami-based RG. Branden's boasts a broad assortment of goods for the home.

Dayton Hudson, the nation's fifth largest retailer, cracked the $8 billion sales mark last year. Revenues for the year, ended Feb. 2, 1985, climbed a solid 15% over 1983.

The increase, however, was not strong enough to offset depressed earnings caused by the promotional retailing environment, and the consolidation of the Dayton's and Hudson's department stores. Earnings rose only 6% from $245.5 million to $259.3 million—far below the 15% gain corporate officials anticipated.

The pressure on gross margins was felt hardest in the department store division where operating profits fell 31% last year. Lower-than-expected sales coupled with expenses associated with combining the two divisions hurt the operation. The stores were forced to cut prices and advertise aggressively in an attempt to lower inventory levels during the second half of 1984. This too was related in part to the combination of the two chains. During 1984, sales at the department stores crept up only 4% to $1.54 billion.

Despite a rather lackluster year for the department stores, Dayton Hudson's Target and Mervyn's divisions recorded exceptional results. Mervyn's pumped out a 21% increase in operating profits on sales that soared 27% from $1.7 billion to $2.1 billion. Same store sales rose 11% and sales per square foot increased from $232 to $245.

During the year, Mervyn's moved one percentage point closer to its goal of shaving three percentage points of its 1983 operating expense ratio by 1988. Mervyn's plans to reduce this ratio so that it has the flexibility to promote at lower margins without depressing earnings.

Better expense control and the addition of the Honors private label apparel line helped Target record a stunning 33% gain in operating profit during 1984. Strong fourth quarter performance by the California Target units, aided by a strike at one of Target's competitors, helped the 217-store chain record a 14% jump in volume.

Expansion was rapid last year, however, in Dayton Hudson's specialty operations. Overall, volume rose 15% from $672.1 million to $770 million.

Finally, Dayton Hudson launched another specialty concept, RG. Branden's in Miami. The 50,000-sq.-ft. store (40,000 sq. ft. of selling space) features a staggering array of goods for the home falling in the middle- to upper-price range. ☐

Consolidation costs trim net

Dayton Hudson's profits were stung last year by the costs of consolidating its two department store chains, Dayton's and Hudson's.

"Our earnings were reduced by unusual expenses of 9¢ per share resulting from the repositioning of our department store operations," says chairman and ceo Kenneth A. Macke.

Year	Sales (000 omitted)	Profits (000 omitted)	Stores
1980	$4,033,500	$138,209	831
1981	4,942,929	159,588	925
1982	5,660,729	198,369	981
1983	6,963,295	245,457	1,078
[illegible]	[illegible]	[illegible]	[illegible]
'80-'84 change	+98.5%	+87.5%	+306 (+37%)

*Fiscal year ended Feb. 2, 1985.
Source: CSA research

Although Dayton Hudson expected the merger would impact on earnings—along with the costs associated with its sale of Diamond and John A. Brown—analysts say the Minneapolis-based retailer underestimated those costs.

The gross margin situation was particularly thorny in the chain's third quarter when FIFO margins slipped 0.7% from 30.1% to 29.4%.

Dayton Hudson's cost in merging its two divisions will not have a long-term impact on earnings. However, the promotional nature of retailing can, and the company is attempting to insulate itself from that by upgrading its department store mix. For example, in the future, according to Macke, there will be fewer off-price events.

Costs associated with repositioning of its department stores to snare greater market share, and expenditures to launch MainStreet took a toll on Federated's bottom line.

At Federated, repositioning took its toll

At Federated, Bloomingdale's will be a more important vehicle for the future.

Last year, Federated Department Stores suffered from the implementation of new strategies it hopes will pay off in the long run.

Costs associated with the repositioning of its department stores in order to snare greater market share, as well as expenditures needed to launch MainStreet, took a toll on the bottom line.

The crunch was felt when Federated was forced to take a more promotional stand in order to survive in the highly competitive fourth quarter market. Federated took heavy markdowns, especially during Christmas. Bloomingdale's, in fact, ran ads for its first ever pre-Christmas markdown sale.

So, although sales increased 11.3% to $9.67 billion, earnings declined 8% from $329.3 million to $286.7 million. The department stores, which account for 68% of sales and 89% of operating profits, were the hardest hit. Earnings dropped 2.8% from $637.7 million last year to $619.8 million.

Undaunted, Federated officials believe the negative impact the repositioning had in 1984 will not be a long term problem. The company also points out that there were unusual costs last year associated with the launch of MainStreet, Federated's newest division aimed at "moderate income" shoppers.

Federated plans to open six more MainStreet units in Chicago during 1985. Future markets Federated is reportedly eying for MainStreet include Milwaukee, Minneapolis, Kansas City and St. Louis.

Although Federated is investing heavily in remodeling its old divisions and launching new ones, it has proved it will dispose of those which do not fit into future plans. In 1984, for example, Federated shed its eight-store Boston Store division. It sold the stores for $80 million to P. A. Bergner & Co.

Last year was also a time for adding some pizzazz to the two discount divisions, Richway and Gold Circle. Sales at these operations climbed 7% last year to $1.1 billion. Operating profits were off 2.2% from $39.5 million to $32.3 million.

Gold Circle became the first discount operation to install scanners chainwide. It also debuted a new prototype complete with upgraded merchandise and fixturing. Richway was given a new pricing image and decor package in 1984. A new prototype is scheduled to be introduced in 1985.

Finally, Federated unveiled its first Filene's Basement in a major regional mall with the opening of a unit in Braintree, Mass. ☐

Federated's wheels in motion

Year	Sales[1] (000 omitted)	Profits[1,2] (000 omitted)	Stores[1]
1980	$5,319,900	$487,400	262
1981	5,935,600	569,984	281
1982	6,423,200	527,800	390
1983	7,215,900	682,500	424
1984*	[illegible]	[illegible]	[illegible]
'80-'84 change	+49.7%	+33.3%	+170 (+64.9%)

*Fiscal year ended Feb. 2, 1985.
[1] Excludes supermarkets. [2] Operating profits.
Source: CSA research

It used to be easy for Federated. With some of retailing's hottest properties under its corporate umbrella—Bloomingdale's, Filene's and Burdines, for example—Federated was able to count on financial growth.

But as the retailing climate shifted to a more promotional environment, Federated found it could no longer improve gross margins. In fact, Federated's margins have been slipping: Since last year, gross margins dropped from an already low 27.8% to 26.6%. Return-on-equity has sagged below competitors, too. Federated's ROE now stands at about 14% vs. Macy's 20.5% and Dayton Hudson's 18.5%.

The company has put the wheels in motion to correct its lackluster performance. Over $103 million was spent last year remodeling the department stores into "headquarter" outlets for key classifications of merchandise. The money spent to make room for the new deep assortments was almost twice the dollars allocated for remodeling in 1983.

Expansion of the more successful Federated operations is also key to future results. Last year, Federated unwrapped a Bloomingdale's in Miami, a Burdines in Gainesville, Fla., and a Filene's in Waterford, Conn. Bloomingdale's will be a more important vehicle in the future—plans call for a Bloomingdale's in Boca Raton, Fla., in 1986 and in Chicago in 1987.

Remerchandising to include more branded goods, closing of unprofitable units and expanding store-within-a-store concepts have aided the ailing Montgomery Ward.

Ward labors after consistent profits

Although Montgomery Ward posted its second consecutive year of profits—after three back-to-back years of red ink—the retailer is still laboring toward consistent profitability.

For the first quarter of 1985, ended March 31, Ward reported a loss of $2 million, narrowed from the $3 million reported a year ago for the same period. Revenues for the Chicago-based retailer declined 3% to $1.2 billion.

For fiscal 1984, Ward earnings climbed 32.5% to $53 million on sales that rose 8.1% to $6.5 billion. This represents a sharp contrast to 1980 when Ward lost $162 million on sales of $5.7 billion.

A great deal of the improvement can be attributed to Ward's new direction under Stephen Pistner (who left Ward for Rapid-American Corporation at year-end). Although Ward's net-to-sales ratio of 1% is still at the bottom of the general merchandise retailer's pile, Pistner made significant operating improvements by trimming expenses.

Over the last four years, Ward has cut 27,000 jobs including 3,000 management positions. These moves, Ward says, have helped boost sales per employee by 54% over that four-year period. Most recently, Ward began eliminating about 500 more positions.

At the same time, Ward has also been closing unprofitable units, including catalog centers. Sixty-eight units have been shuttered over the past four years. The closing of the marginal stores helped Ward improve its sales per square foot from $159 in 1983 to $176 in 1984.

Ward has restructured its merchandising strategies to include more branded merchandise. During 1984, Ward opened a specialty auto concept, a home electronic unit, a home store and an appliance prototype, all designed to be stores-within-a-store. This August, Ward will debut its first unit combining its seven specialty concepts.

For fiscal 1984, Montgomery Ward earnings climbed 32.5% to $53 million.

The costs associated with the new look, however, took a toll on Ward's financial sheet. Expenses rose 7% while gross margins dipped from 26.6% in 1983 to 26.5% in 1984.

The catalog and discount divisions of Ward continue to hold down results. Catalog sales increased a healthy 11.9% last year—but closing unprofitable centers was expensive. Some peg losses of the catalog business as high as $25 million. Jefferson Ward does not fare much better: Sources say the discount arm lost another $29 million last year. ☐

The Kinney division led Woolworth's domestic operations—athletic footwear, in particular, was strong. The specialty stores did not fare as well.

Woolworth bounds back

Despite some glum spots, the Woolworth bottom line improved considerably.

Sales for F. W. Woolworth rose 5.2% to $5.737 billion, primarily due to gains in domestic operations. Operating income was up 19.5% to $141 million as domestic sales rose faster than cost of goods and selling, general and administrative expenses.

The Kinney division led domestic operations with operating income of $134 million, vs. $102 million in '83. Woolworth execs describe the Kinney and Foot Locker chains in this division as "workhorses generating strong sales and profits." Those two chains, in particular, are now skimming the cream off choice mall locations opened in the early 80's. Woolworth has also done well in the athletic footwear boom, and acquired another chain, the Athletic Foot Factory, in 1984 to take further advantage of this category.

But there were also some sad stories in the specialty store area. "J. Brannam was expected to turn the corner this year, but posted another profit loss. Company officials will be watching that division carefully for the next few months, possibly considering a regrouping. The Little Folk division had flat profits. The falloff in the two divisions is attributed to "brutal" conditions in the off-price industry.

Despite these glum spots, the Woolworth bottom line as a whole improved considerably. Notes William Lavin, sr. vp and cfo: "Profit margin improvement was real. It was not affected by other income, lower depreciation or interest expense, larger LIFO credit, or lower effective tax rate." Gross margins rose from 32.5% in '83 to 32.8% in '84. Operating income as a per cent of sales was up to 7.2% in '84.

Chairman and ceo John W. Lynn stated that the company has now progressed halfway toward key financial objectives in less than half the specified time.

Woolworth is launching two new specialty mall store chains that will be operated as a separate division. Herald Square Stationers will carry stationery and novelties in 5,000-6,000-sq.-ft. stores, while Afterthoughts will be accessories-oriented in just 1,000 sq. ft. Another division has been formed to run The Rx Place, a deep-discount drug store concept debuting in southern New Jersey.

Specialty stores accounted for 31% of total sales in 1984 and contributed 39.5% of domestic operating income. By 1989, specialty stores are expected to bring in 37% of sales. Woolworth achieves higher operating profit margins from specialty stores, but both specialty store and variety store margins increased in '83 and '84. ☐

Bigger is not necessarily better

Woolworth officials continue to assert that there is a future for the variety store operations. Most of the attention, however, is being focused on small specialty store divisions, which address one segment of the variety business, and the down-sized variety store prototype.

"We believe the variety store is viable in the right mall and in the right size," says Bob Jennings, president and ceo of U.S. Woolworth. "It's one of the very few places where you can find that depth of staple merchandise all in one place."

But Woolworth is becoming choosier about what constitutes staple merchandise and how much square footage is needed to display it. The new variety store prototype unveiled this year in Brunswick, Ga., is only one-third the size of a typical Woolworth store and has only 50 ft. of mall frontage. Merchandise stocked is oriented to the beach community's needs.

About 200 of the 1,200 variety stores have been renovated since 1982. In 1984, the first full comparison year, these stores showed a 30% increase in sales and 45% gain in profits over '83. About 100 more variety stores will be refurbished this year in the U.S.

Year	Sales ($00 omitted)	Profits ($00 omitted)	Stores
1980	$5,102,000	$160,000	4,986
1981	5,375,000	37,000	5,107
1982	5,124,000	82,000	5,124
1983	5,456,000	118,000	5,279
[illegible]	[illegible]	[illegible]	[illegible]
'80-'84 change	+12.4%	+8.81%	625 (+12.6%)

*Fiscal year ended Jan. 31, 1985.
Source: CSA research

Choosing markets carefully, stressing everyday low prices, and carefully communicating goals to employees are part of Wal-Mart's strategy for success.

Wal-Mart has no quarrel with 1984

Sales productivity advanced at Wal-Mart to $166 per square foot in 1984.

Wal-Mart stores in small towns and cities stretching from New Mexico to Florida and Texas to Iowa shrugged off murmurs about a tough year for retailing and again racked up record sales and earnings.

By choosing its markets carefully, emphasizing everyday low prices, and carefully communicating its goals to employees, Wal-Mart makes its 37% sales increase and 38% increase in net income seem almost easy.

The company reached the $6 billion sales plateau before the end of the year and then eclipsed that figure by posting annual sales of $6.4 billion. On a comparable-store basis, Wal-Mart increased sales by 15%.

Sales productivity advanced to $166 per square foot, compared with the $150 figure in 1983. Wal-Mart interprets the gain to mean its stores are continuing to increase their market share in the communities they serve.

Net income improved from $196.2 million to $270.8 million. Stronger competition from Rose's and Duckwall-ALCO convinced Wal-Mart of the need to stay with its low everyday pricing strategy. That decision, combined with the lower margins from Sam's Wholesale clubs, reduced gross profits to 26.2% of sales from the previous 26.8%.

Net earnings for the year, nevertheless, were 4.2% of sales, a figure that matches the record earnings rate for the previous year.

While Wal-Mart was working to achieve strong sales and earnings, it continued to pursue an aggressive program of discount store expansion and was pleased enough with its Sam's Wholesale Club operation to bring it out of the experimentation stage and into the mainstream of its growth strategy.

One hundred and six discount stores were opened and three were closed, bringing the end-of-year total to 745. In addition, 52 stores were remodeled and 18 older stores were either expanded or relocated.

Eight new Sam's Wholesale Club units were added, bringing the number to 11, in eight cities. The chain is continuing its experiments with one DOT deep discount store, and one Helen's Arts and Crafts store.

This year, Wal-Mart has announced plans to open 115 more discount stores and will enlarge 60 of its most successful existing stores. About a dozen more Sam's will be added in recognition of the operation's compatibility with the discount store operation and its earnings potential. Both the DOT and Arts and Crafts units will be expanded by additional units. ☐

Margins slip, expansion continues

Wal-Mart's firm commitment to its everyday low pricing strategy in its discount stores, combined with lower margins from its Sam's Wholesale Clubs, produced [illegible] lower overall gross margins last year.

To partially offset the slip, the chain reduced operating expenses from [illegible] of sales earlier in the year to [illegible] by the end of the year. The reduction was achieved in part as the result of lower expense-to-sales ratios from its wholesale units, with other expense control efforts credited in chainwide results.

The profits strengthened Wal-Mart's financial position. Long-term debt declined.

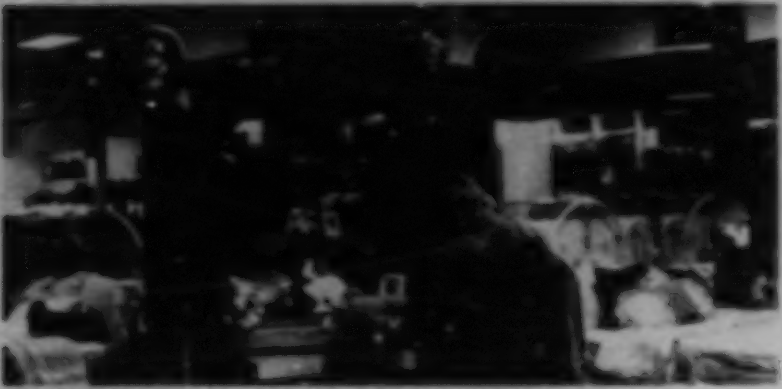
As Wal-Mart follows its expansion strategy, it continues to saturate current areas and then expand into adjoining markets. The chain currently has stores in 20 states, and plans to open stores in Wisconsin and Colorado this year and Minnesota in 1986. During the 1984 fiscal year, 7.5 million sq. ft. of store space were added.

Year	Sales (000 omitted)	Profits (000 omitted)	Stores
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	+ [illegible]%	+ [illegible]%	+ [illegible] (+ [illegible]%)

[illegible]

Crucial to May Dept. Stores' success has been its Excellence in Retailing program, a balance between divisional autonomy and centralized direction.

May Dept. Stores: Strategic successes



May Dept. Stores enjoyed a healthy year and avoided a takeover bid.

Not only was 1984 a banner year for sales and earnings at May Department Stores Co., but the retailer was also able to avert a possible takeover attempt.

When Crown Books Corp. sought to increase its holding in May stock, rumors surfaced that Thrifty Corp., which owns 35% of Crown, was trying to raid May.

May quickly brewed up a poison pill by creating $100 million in new voting preferred stock. That issue, plus $10 million, was then signed over to Metropolitan Life Insurance for its 50% interest in Parklabrea, a 178-acre residential and commercial development in Los Angeles.

Most recently, Crown sold all of its 440,000 shares of May stock, quelling the talk of a takeover.

While May was busy fending off offers, it was also busy growing sales and earnings. Total sales hit $4.7 billion, an increase of 13.7% over fiscal 1983. Equally impressive was the company's same-store sales increase of 8.7%. Earnings jumped 14.5% to $214 million, from the $187 million recorded in 1983. Return-on-shareholder's equity hit a solid 18.5%.

May's department stores continue to produce the bulk—70% of sales and 69% of earnings—of the results. Department store volume climbed to $3.2 billion, up 8.9% over 1983. Operating earnings rose 10.5% to $538.1 million.

Last year, a new May D&F was launched in Colorado Springs. Growth is more ambitious for 1985: A new Hecht's will open in Washington, D.C., a new May in a Los Angeles suburb and a new Famous-Barr in St. Louis.

An even greater growth schedule is on tap for May's Venture division. Five-year growth calls for an addition of 32 more stores at a cost of about $175 million. This year, six new Venture Stores debuted and by the end of 1985, May expects to have 62 of these discount stores under its belt.

Venture produced record results in 1984, too. Sales jumped 17.6% to $915 million with same store increases up 5.5%.

Finally, May's Volume Shoe division continued to produce the best store-for-store gains. Sales climbed a stunning 27.9% to $543.4 million with same store sales up 11.9%. Operating earnings jumped 31.9% from $58.8 million to $77.6 million.

Return-on-sales hit 14.3%, compared with 13.8% in 1983. That was attributed to improved gross margins. Last year was a year of torrid growth for Volume Shoe with 273 new Payless Shoe stores opening, 101 of which were acquired. ☐

May Dept. Stores stay a step ahead

May's Excellence in Retailing program has helped the retailer record impressive sales and earnings gains especially during a period when its competitors got stuck on the promotional treadmill.

The St. Louis-based retailer has been ahead of the pack as far as merchandise tracking systems, including weekly and monthly merchandise reports. Those systems have allowed May to manage the flow of merchandise without getting caught with bloated inventories.

It has also been quick to act to making changes to boost productivity. Last year, May trimmed away better than 2.7 million sq. ft. of unseen retail space. The result? A 12.6% increase in sales per square foot for department stores and a 9.6% jump for Venture.

The company eliminated underproductive footage that produced sales less than $60 to $80 per square foot. Over the next five years, one-quarter to one-third of May's total space will be involved in remodeling.

Year	Sales (000 omitted)	Profits (000 omitted)	Stores
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

Household Merchandising's strategy of a more focused, trimmer operation has raised profits at T.G. & Y., Ben Franklin and Coast to Coast stores.

T.G. & Y. profits from fewer stores

Since 1982, 173 remote or unprofitable T.G. & Y. stores have been closed.

After years of marginal performance, Household Merchandising is becoming leaner, more focused and more aware of its strengths. With profits up 260% in its general merchandise operations, HM is learning that less is sometimes more.

The most dramatic changes have come at the formerly ailing T.G. & Y. chain in the form of closings. During the past two years, 173 stores that were in remote distribution areas or unprofitable have been closed. The pace slowed to 70 closings in 1984, but more are expected this year. T.G. & Y. now has 743 stores.

Ben Franklin, the franchised operation, was more stable, with 1,329 stores in 1984, down slightly from the 1,[illegible] in 1983.

Bernard F. Brennan, president/ceo Household Merchandising, has directed the efforts of the new top managers toward a winnowing of the weak T.G. & Y. stores and a strengthening of those with a good track record. With Brennan's scheduled June 3 return to Montgomery Ward as its president/ceo, the store closing and merchandising initiatives that have helped T.G. & Y. in its turnaround are expected to be continued by the chain's president/ceo, Richard Rusthoven.

In 1984, capital expenditures were $48.4 million, vs. $69.9 million in 1983, and $110.5 million in 1982. Only eight new T.G. & Y. stores were opened last year, compared with 21 in 1983 and 41 in 1982. Some stores are scheduled to be remodeled this year, which, in addition to other expenses for data processing, distribution and other equipment are expected to increase capital outlays "substantially" for 1985.

The merchandising group, which includes T.G. & Y., Ben Franklin, Coast to Coast hardware stores and Vons supermarkets, is seeing a turnaround in its gross margins as the result of brand name programs at T.G. & Y. and Ben Franklin.

For 1984, the consolidated gross margin was up slightly to 19.6%, compared with the 19.4% posted in 1983. HM has improved its net sales per employee through improved training, management and marketing programs and has realized a 6% gain in net sales on an identical store basis.

Income in the general merchandise division, dominated by T.G. & Y., was $19.1 million in 1984, compared with $5.3 million in 1983 and a $17.9 million loss in 1982. The results of selected T.G. & Y. store closings and a drive for narrow and deep assortments—with particular emphasis on children's apparel, soft home furnishings and consumer electronics—have put the Sunbelt chain back on track. ☐

Household getting back on track

Household Merchandising took some long strides toward greater profitability during the past fiscal year.

Cost cutting measures in the form of T.G. & Y. store closings and increased productivity throughout the merchandising segment including supermarkets are reflected in operating expenses for 1984 that are virtually unchanged from two years earlier. Expenses for 1984 were $5.22 billion vs. $5.21 billion in 1982.

Net sales for the entire merchandising group, including T.G. & Y., Ben Franklin variety stores, Vons supermarkets and Coast to Coast hardware stores, are up 1.8% over 1983, and 1.7% over 1982.

Despite the store closings that began in 1983, inventories were up 15.9% in 1984, at $775.3 million due in part to soft fourth quarter sales. The increase comes on the heels of lower inventories in 1983, which declined 5.7% from 1982.

Year	Sales¹ (000 omitted)	Profits¹ (000 omitted)	Stores²
1980	$2,676,000	$22,100	4,619
1981	2,911,100	25,000	3,983
1982	2,926,900	(−14,000)	3,766
1983	2,872,029	12,100	3,692
[illegible]	[illegible]	[illegible]	[illegible]
'80–'84 change	+6%	+12.5%	−1,186 (−25.3%)

¹Fiscal year ended Dec. 31, 1984
¹Excludes Vons
²Also reflects furniture store divestitures.
Source: CSA research

In recent years, operating profits have gained steadily as a result of policing selling, general and administrative expenses at all Zayre divisions.

Discount stores propel Zayre profits

Zayre's discount stores will continue to experiment with better merchandise.

Zayre Corp. racked up yet another strong year despite the lackluster retailing environment. Sales rose 19.5% to $3.1 billion while net earnings increased 30.8% to $80.3 million.

"This is our ninth consecutive year of record sales and earnings and it brings our five-year compound annual growth in net income to 37.0%," says Maurice Segall, president and ceo.

Operating profits, too, have steadily gained as a result of policing selling, general and administrative expenses at all Zayre divisions. Last year, operating income was $175.9 million, or 5.6% of sales, compared with 1983's $141.1 million, which was 5.4% of sales. In 1980, operating profits only accounted for 3.6% of sales.

Selling, general and administrative expenses declined as a per cent of sales over the past five years. In 1984, those expenses represented 18.4% of sales, while they were 20.6% of sales in 1980.

Zayre executives credit the discount department stores for the increase in the company's operating income. The combination of consistent sales growth and tight control over inventories, merchandise margins and expenses bore fruit.

In addition to a sales increase of 15.8% to $2.2 billion at the discount stores, operating profits as a per cent of sales gained too. Last year, those profits represented 5.6% of sales, $122.2 million, compared with 4.8% of sales, $90.8 million, in '83.

The discount stores will continue to experiment with store layouts and to update merchandise and presentation.

The specialty store division, which consists of two off-price chains, T. J. Maxx and Hit or Miss, showed a sales increase of 30.3% to $927.3 million last year. This followed a 35.9% increase in '83 sales over '82.

Operating income as a per cent of sales, however, has steadily declined over the past three years. In 1984, it was 6.9% of sales, compared with 7.7% in '83 and 9.0% in '82.

Segall notes, "T. J. Maxx, our 156 store group of off-price family apparel supermarts, maintained its unbroken record of annual increases in earnings, despite the pressure on merchandise margins stemming from this past year's highly competitive marketplace. Hit or Miss, our chain of 401 women's apparel specialty shops, improved its operating income over the prior year but its results were depressed by excessive markdowns."

Lastly, the corporation continues to explore new ventures. Last year it opened BJ's Wholesale Club, a warehouse store concept, and initial results have been favorable. The corporation plans to open three more 100,000-sq.-ft. units in '85 bringing the total to six. ☐

Zayre sets rapid expansion

Now that Zayre Corp. has fine-tuned its merchandising to yield high profits, the Framingham, Mass.-based retailer is turning its attention to rapid expansion. Corporate execs say they want to increase new store space by 50% each year.

Just days after the 1984 annual report was released, the $3.1 billion merchant began takeover procedures for Gaylords National, a 31-unit discount store headquartered in Secaucus, N.J. The acquisition would strengthen Zayre's southern penetration in addition to giving it entry into Louisiana and Delaware.

Last year, the company used $98.5 million for capital expenditures, which was 4.5% of sales and a 29.2% increase over 83's figure. Nearly $39 million was used to build 106 new stores and another $15.9 million went toward renovating older units. In 1982-83, capital expenditures represented 3.9% and 4% of sales, respectively.

During 1985, the corporation expects capital expenditures to be $150 million, approximately 52% more than 1984's total.

Year	Sales (000 omitted)	Profits (000 omitted)	Stores
1980	$1,594,226	$17,574	531
1981	1,707,130	22,147	567
1982	2,130,016	35,176	617
1983	2,613,067	61,426	749
[illegible]	[illegible]	[illegible]	[illegible]
'80-'84 change	+94.9%	+357.0%	+318 (+60.1%)

*Fiscal year ended Jan. 26, 1985.
Source: CSA research

Service Merchandise: Fuel to grow

Service Merchandise has made gains through its import program and improved merchandise mix.

Expansion by Service Merchandise during 1984 was lively, but it pales in comparison to the growth in the first months of 1985.

On top of last year's base of 188 catalog showrooms and 12 home improvement warehouse centers (dubbed Mr. HOW), Service bought five more centers in the Chicago market and has agreed to acquire two chains, H. J. Wilson, with 80 showrooms, and Ellman's with 12 stores. The two latest transactions are expected to cost about $173 million and $33 million, respectively.

The emphasis on growth is illustrated by Service's decision last year to sacrifice earnings to fuel expansion. Earnings were down 0.6%, to $44.6 million. The decline in earnings reflected a $4.1 million increase in interest expense. Long-term debt was up 50.8%, to $111.3 million. The debt-to-equity ratio rose to 36.1% in 1984, compared with 29.3% in 1983.

Although inventory was up 26.4% at the end of the year, Service avoided the price cutting that exacted such a heavy toll on most retailers late in the year. The chain pumped additional money into advertising during a sluggish fourth quarter and produced a net sales increase of 11.5% to $730.3 million for that quarter. Gross profit inched up 0.5%.

Gross margin for the year improved to 24.2%, compared to 23.3% in 1983 and 22.8% in 1982. The gains can be attributed to continuing improvements in the merchandise mix and the success of the chain's import program, which has eliminated "intermediate markups." Experiments at its Nashville catalog showroom in expanded information services and improved merchandising techniques have been successful. The Nashville store is expected to be the prototype for continuing innovations.

The home improvement warehouse operations are a major new direction undertaken in mid-1983, despite disappointing forays into specialized lingerie, jewelry and computer stores. Service was pleased with the results from its first two warehouse stores in South Florida and saw those operations as having major growth potential. ☐

Year	Sales (000 omitted)	Profits (000 omitted)	Stores
1980	$ 865,017	$20,399	113
1981	1,027,063	23,069	118
1982	1,196,283	31,069	139
1983	1,400,000	44,881	173
[illegible]	[illegible]	[illegible]	[illegible]
'80-'84 change	+91.9%	+118.9%	+82 (+72.6%)

*Fiscal year ended Dec. 29, 1984.
¹Includes results from home improvement centers.
Source: CSA research

Allied: Sticking to strategy pays off

Allied has stayed with its successful strategy of selling reasonable quantities of goods at full markup.

High levels of promotional activity by competitors impacted on Allied's bottom line in 1984. However, the company for the most part stuck with its strategy of selling reasonable quantities of goods at full markup and showed respectable increases for its efforts.

Allied's sales were up only 8% over '83, to $3.97 billion, but earnings were ahead 9.5%, to $140.73 million. The company's Jordan Marsh division in New England proved to be an example of how staying out of the promo wars paid off. Up against month-long, storewide promotions at rival Filene's in December, Jordan Marsh responded with a one-day-only, select promotion. The store was able to maintain its leadership in the Boston market and also became Allied's top profit producer for the year.

Allied expects to be well-positioned in '85, as inventories are in line with sales plan and expense levels are within budget. Allied's three major financial objectives—4% net profit margins, 15%-17% return on beginning stockholders' equity, and 40% dividends on earnings—were not met in '84.

The Wren's and Block's department store divisions were merged last year, and another division, Troutman's, closed. One specialty store division, Harzfeld's, was also shuttered in '84, although two stores were converted into other Allied specialty units.

Specialty stores continued to increase their contribution to sales, up to 18% in '84. Although long-term prospects indicate that department stores will only contribute 75%-80% of sales by 1990, president Thomas Macioce asserts that Allied will continue to be primarily a department store company. About 25 new department stores will open in the next four years, while specialty store expansion will be more aggressive. ☐

Year	Sales (000 omitted)	Profits (000 omitted)	Stores
1980	$2,290,000	$ 83,836	226
1981	2,732,887	88,332	312
1982	3,215,634	90,058	533
1983	3,675,873	128,471	579
[illegible]	[illegible]	[illegible]	[illegible]
'80-'84 change	+73.6%	+67.9%	+371 (+164.1%)

*Fiscal year ended Feb. 2, 1985.
Source: CSA research

Poor market conditions hampered business at The Bon last year.

CHH's year of living dangerously

CHH's 1984 sales rose 20.1% despite turmoil caused by the threat of a takeover by The Limited.

It was a year of living dangerously for Carter Hawley Hale. In an attempt to keep its independence from The Limited, CHH sold 37% of its equity for $300 million in cash to a third party, General Cinema Corp. Then it sold its star division, Waldenbooks, to K mart. CHH won this battle but Leslie Wexner, ceo of The Limited, says that the war isn't over yet.

Despite the turmoil caused by the threatened acquisition, 1984 sales rose 20.1% to $3.7 billion (based on restated figures which exclude Waldenbooks), while net earnings were up 32.9% to $89.7 million. Earnings include a one-time after-tax gain of $62.5 million for the sale of Waldenbooks in addition to an after-tax charge of $1.1 million for costs occurring from the takeover battle.

However, profits from continuing operations before interest expense, income taxes, and nonoperating income were $160 million, showing only a 3% increase over the previous year's $154.9 million.

Year	Sales¹ ($000 omitted)	Profits ($000 omitted)	Stores³
1980	$2,213,[illegible]	$ 57,[illegible]	[illegible]
1981	2,4[illegible]	44,7[illegible]	[illegible]
1982	2,[illegible]	46,[illegible]	[illegible]
1983	3,1[illegible]	67,4[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
'80-'84 change	+[illegible]%	+[illegible]%	+71 +[illegible]%

¹Fiscal year ended Feb. 2, 1985.
²Restated figures excluding Waldenbooks.
³Based on a fifty-three week year.
⁴Includes a one-time, after-tax gain of $62.5 million from the sale of Waldenbooks in addition to an after-tax charge of $1.1 million for costs occurring from the takeover battle with The Limited.
Source: CSA research

Analysts say CHH's sales volume was up because its stores built up high inventories to increase store traffic. But the high cost of carrying these inventories kept down profits from continuing operations. Interest expense this year was $117.2 million, or 3.1% of sales, compared with 1983's $92.3 million, or 3% of sales.

CHH's toughest department store markets are Los Angeles, San Francisco and Philadelphia. In Los Angeles and San Francisco, The Broadway Southern California and Emporium Capwell are finally on solid ground after entering the 80's on rocky roads. The Broadway had been slowly losing market share but an increase in promotions during the past two years has helped the CHH volume leader re-establish itself in the Los Angeles area. Emporium Capwell (which is up against two promotional giants—Macy's and Mervyn's) showed a solid sales gain of approximately 16% for the second consecutive year, according to observers.

The Philadelphia-based John Wanamaker division remains a problem for CHH, not having produced a profit in the six years CHH has owned it. L. F. Rothschild, Unterberg, Towbin's retail analyst Bernard Sosnick says that the stores need to be updated in appearance and in their merchandising strategies in order to compete with Bamberger's sharp tactics.

During 1984, CHH opened 24 Contempo Casuals, one Neiman-Marcus, and one Emporium Capwell. Thirty new Contempo Casuals are scheduled for '85.

CHH operates six department stores, three high fashion specialty stores and one specialty chain. ☐

Price Co.: Nobody does it better

There are plenty of imitators, but no one has yet challenged Price Co.'s leadership in warehouse retailing.

How long can Price Co. continue having its way?

The company's cash and carry warehouses are no longer unique. Imitators are springing up everywhere, but no one has dared challenge Price Co., which remains the acknowledged master of running this high-risk form of retailing.

As a result, Price Co.'s performance keeps getting better. Sales of general merchandise to retail customers in fiscal 1984 topped $351 million, according to *CSA* estimates. Corporate earnings rose faster than sales, jumping 94%, a sure sign of a stable company.

Price Co. clearly understands this business and is getting better at it. Last year the company started charging its retail members a $15 fee, figuring the extra cash would help it get a bigger checkout ring from shoppers eager to make good use of their membership. Price Co. then promptly took that additional revenue, estimated at $2 million, and used it to lower its gross margins. With already the lowest margins among major general merchandise chains, Price Co. pushed its margins down to 10.1% last year.

Year	Sales¹ ($000 omitted)	Profits ($000 omitted)	Stores
1980	$ 45,0[illegible]	$ 2,8[illegible]	4
1981	71,140	5,1[illegible]	4
1982	114,2[illegible]	7,8[illegible]	7
1983	198,1[illegible]	14,732	11
[illegible]	[illegible]	[illegible]	[illegible]
'80-'84 change	+[illegible]%	+1,[illegible]%	+11 (+275%)

¹Fiscal year ended Aug. 31, 1984.
²CSA estimate of general merchandise sales to retail customers.
Source: CSA research

With imitators springing up all over, Price Co. is now expanding more rapidly and tightening its hold on its major markets. In fiscal 1984 the company opened just three units, but in one month last fall, shortly after its current fiscal year began, the company debuted five units, giving it 20.

Those openings came largely in established markets where Price Co. is a dominant presence. In Los Angeles, for instance, a consumer buying study found that nearly 11% of the discount shoppers select Price Co. warehouses as their outlet of first choice.

This year Price Co. increased its stake in Price Co.-East and will presumably exercise more control over the units. They may need it. Denver-based Pace Membership Warehouses, counted one of the better Price Co. imitators, announced its entry into the Baltimore/Washington market and this may give Price Co. its first taste of serious competition. ☐

Federated Group: Southwest expansion

The Federated Group is expanding into Arizona, Texas and secondary California markets.

The home electronics specialist marked sales at $229.8 million in 1984.

By acquiring 12 Texas Videoland outlets in December and adding another 11 superstores in California and Arizona, The Federated Group more than doubled its number of stores in 1984.

The home electronics specialist marked sales at $229.8 million, an increase of 66% over 1983 volume of $138.2 million. After-tax earnings rose 91% to $11.7 million.

With many of its southern California stores facing maturation and with increased competition later this year from the entry of Circuit City into its Los Angeles home base, The Federated Group is pursuing growth through expansion into Arizona, Texas and secondary California markets.

Seven new units will open in California and Arizona this year. Four Houston area stores will debut in the spring and fall to complement seven Dallas and five Houston converted Videoland outlets. In all, The Federated Group projects that the market stretching from Texas to California can profitably absorb a minimum of 50 additional units.

Year	Sales (000 omitted)	Profits (000 omitted)	Stores
1980	$ 60,719	$ 827	12
1981	74,836	(832)	16
1982	89,243	963	15
1983	138,234	6,127	20
1984*	[illegible]	[illegible]	43
'80-'84 change	+278.5%	+1,311.9%	+31 (+258.3%)

*Fiscal year ended March 3, 1985.
Source: CSA research

In 1984 net income expressed as a per cent of sales rose to 5.1% from 4.4% the year before. Adjusted to exclude a $2.5 million pretax gain from the sale of a leasehold interest, however, The Federated Group's after-tax margin was at a relatively unchanged 4.5%.

Though at presstime The Federated Group did not reveal exact figures, gross margins in 1984 were reported to be above the previous year's 28.6%. Since the company's net margin remained steady (with the exclusion of the leasehold gain), it may be assumed that either SG&A or interest expense increased in 1984.

The Federated Group has had trouble holding down costs before. Three years ago SG&A expense jumped to 28.4% of sales before falling to 20.1% in 1983. Videoland's highly leveraged capitalization also brought with it a heavy debt. ☐

Bradlees' 'difference' pays off

Bradlees' investment in store refurbishing helped sales grow to $1.4 billion, but earnings have slowed.

Bradlees' investment in refurbishing its discount stores into department stores "with a difference" helped sales grow to $1.4 billion in 1984. Sales per net square foot averaged $161 for the 132-store discount chain, with some of the refurbished stores doing over $200.

However, earnings are not growing at the fast pace of the last two years. In '83, when Bradlees opened 21 new stores, operating profits jumped almost 60%. In 1984, Bradlees had a net gain of only five stores. Although sales rose 18.7%, operating profits grew by only 5.9%, to $85.2 million.

Bradlees only contributed 73.0% of parent Stop & Shop's profits in '84, compared to 79.2% in '83. Still, the discount chain remains the most profitable division of Stop & Shop. The supermarket division, with 51% of total sales, contributed only 25.3% of profits.

And although Bradlees continued to be the best performer in the fourth quarter, sales dropped off from earlier in the year. For the 13-week Christmas season, sales were up 14% over the 12-week period in '83, and comparable-store sales were ahead 12%. In that same period in '83, Bradlees contributed 84.4% of Stop & Shop's fourth-quarter profits.

Year	Sales (000 omitted)	Profits (000 omitted)	Stores
1980	$ 634,286	$ 15,720	89
1981	718,790	25,946	91
1982	871,836	56,474	106
1983	1,182,815	80,456	127
1984*	[illegible]	[illegible]	[illegible]
'80-'84 change	+121.8%	+442.2%	+43 (+48.3%)

*Fiscal year ended Feb. 2, 1985.
Source: CSA research

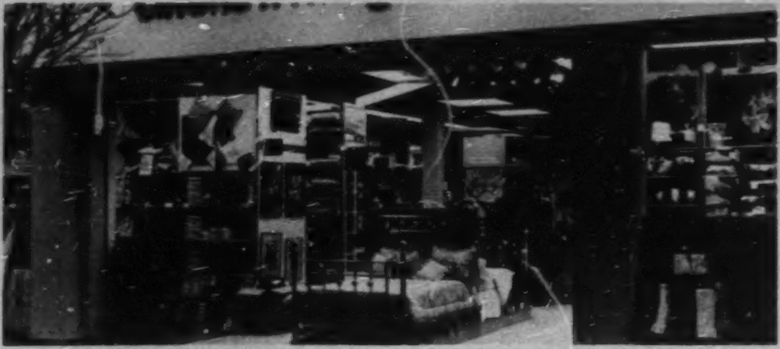
Even the refurbished stores weren't strong enough to move out excess inventories at year-end. As a result, end-of-the-year sales, profits and gross margins all suffered.

Despite ending '84 on that sour note, the company intends to continue its store remodeling program, with at least seven more slated for completion by year-end. Bradlees also plans to open seven new stores this year in its East Coast territory.

Stop & Shop is looking for greater contributions from general merchandise operations in '85, but not necessarily from Bradlees. In January, Stop & Shop acquired 19 Almy's moderate department stores, which will be a separate division. ☐

Melville holds steady in a tough year

Although 1984 increases were not as dramatic as '83's, Melville Corp. reported sales and profit gains.



Linens 'n Things had a strong year in '84 with increases of 59.6%.

Melville Corp. held its own in a tough year for retailing in general and off-pricers in particular. The specialty store merchant with two off-price operations—Marshalls and Linens 'n Things—reported 1984 sales and profits gains. However, the '84 increases were not as dramatic as those in 1983. Sales in 1984 rose 10.5% to $3.5 billion from $3.2 billion in '83.

Operating income was less impressive. It gained 5.2% to $329.8 million in '84, up from $313.4 million in '83. This was on the heels of a 26.8% increase the year before.

Melville operates 10 specialty store divisions in apparel, footwear, home textiles, drugs, health & beauty aids and toys. This year, the footwear and apparel divisions (which include home textiles) weighed down overall performance.

Sales for the apparel and home textiles companies grew 11.7% to $1.8 billion. Although Linens 'n Things and Wilsons had strong years, with increases of 59.6% and 20.3%, respectively, Foxmoor negatively impacted the division with a sales decline of 8.1%. A soft second half year in addition to an increase in promotional activity accounted for the downtrend. Not surprisingly, Melville sold Foxmoor.

In the footwear division, sales rose 6.3% to $1.4 billion. Melville Footwear Manufacturing sales declined 37.7% due to the closing of most manufacturing plants, a program started in '83. Additionally, Melville continues to pull in the reins on Thom McAn; sales crawled ahead only 1%. This year, Thom McAn closed 72 stores.

The toy division, comprised of 533 Kay-Bee stores, was Melville's best performer. Coming off an extremely good year in '83, Kay-Bee continued its upward swing with a sales gain of 23.4% to $347.0 million. ☐

Year	Sales[1] ($00 omitted)	Profits[2,3] ($00 omitted)	Stores[1]
1980	$1,917,932[2]	$198,187[4]	4,139[4]
1981	2,280,880	228,540	4,721
1982	2,646,527	247,080	5,016
1983	3,188,198	313,380	5,234
[illegible]	[illegible]	[illegible]	[illegible]
'80-'84 change	+83.7%	+65.8%	+1,217 (+29.4%)

[1] Fiscal year ended Dec. 31, 1984
[2] Includes only footwear, apparel, home textiles and toy divisions
[3] Operating profits
[4] Also does not include toy division
Source: CSA research

Monkey wrench in Macy's machine

Sales and earnings indicate that Macy's growth rate may be hurt by chains emulating the Macy's formula.

Is Macy's bubble about to burst? Sales and earnings results for the latter half of 1984 (the first half of Macy's current fiscal year) indicate that Macy's growth rate may be hindered by other chains emulating the successful Macy's machine formula. That strategy, however, backfired on Macy's and its imitators in 84's highly promotional atmosphere.

For the fiscal year ended in July 1984, Macy's results were acceptable. Sales rose 17.2% to $4.065 billion, and earnings were up 18.8% to $222 million. Comparable store sales rose 14.3%, but return on average shareholders' equity dropped half a point.

New stores, like Miami, performed well in their first year, with the Aventura unit doing about $230 per square foot, much better than the chain average of $170.

Macy's commitment to high inventories boomeranged later in '84. For the period ended Feb. 2, 1985, net earnings declined 5.6% in the 27 weeks (compared to 26 weeks in '83-'84). Sales were up 10.1%, or 8.4% after factoring out the extra week. If Macy's earnings were restated on a fiscal year basis ended Feb. 2, net earnings for '84 would be nearly flat, with sales up only 8.4%. For the fiscal year ending in July '85, analysts predict Macy's earnings will stay flat, although inventory levels have been reduced.

The company made two important moves to shore up its position as a national department store chain. The Macy's Midwest division was merged with Davison's to become Macy's Atlanta in February of this year. And the company readied plans to open three units of its Bamberger's division around Washington, D.C.

Further openings are planned in Texas, New Orleans and Birmingham, Ala. But its target of $300 per gross square foot by 1990 may no longer be attainable as the chain works to regain its leadership. ☐

Year	Sales ($00 omitted)	Profit ($00 omitted)	Stores
1980	$2,373,[illegible]	$1[illegible]	87
1981	2,[illegible]	118,7[illegible]	92
1982	2,979,4[illegible]	135,9[illegible]	91
1983	3,[illegible]	186,7[illegible]	92
[illegible]	[illegible]	[illegible]	[illegible]
'80-'84 change	+71.3%	+116.8%	+8 (+9.2%)

[1] Fiscal year ended July 28, 1984.
Source: CSA research

Tandy: Computers and profits slide

Tandy's sales and profits were hurt by lowered consumer demand for personal computers.

Despite recent disappointments, Tandy is aggressive about the future.

Tandy Corp. turned in its 12th straight year of double-digit sales gains in fiscal 1984, but that is where the good news stops. For the year ending June 30, 1985 the news will be even less encouraging.

Sales for 1984 gained 10.6% to $2.7 billion, while net income edged up only 1.2% to $281.9 million. Net income expressed as a per cent of sales measured 10.3%, dropping from 1983's 11.3%. This marked the first fall in net margin after six consecutive years of increases.

The less-than-expected sales and profit picture was primarily the result of decreasing consumer demand for computers and increased margin pressure in a highly price-promotional retail environment.

Computers, software and peripherals were the most important product categories for Tandy, accounting for 33.6% of worldwide warehouse shipments in 1984, compared to 34.6% the previous year. Gross margins dropped from 59.3% in 1983 to 56.7% in 1984.

For the first nine months of the current fiscal year, the results are even more bleak. Tandy's sales for the three quarters ended March 31, 1985 have increased 1% to $2.16 billion from $2.14 billion last year. Profits are down 39% to $135.9 million, compared to $223.4 million in 1984. Tandy execs project that profits for the full fiscal year ending June 30, 1985 will show a drop to approximately $195 million, or a decrease of about 31% from 1984.

Despite recent disappointments, Tandy is aggressively mapping out plans for the future. In March, the electronics giant announced that it would buy the 24-store Scott Appliance Group, operator of audio/video/appliance outlets in the Memphis, Tenn., and Jacksonville, Fla., markets.

The Scott Appliance acquisition will allow Tandy to enter the name brand discount side of electronics retailing as a possible future source of growth. ☐

Year	Sales (000 omitted)	Profits (000 omitted)	Stores
1980	$1,384,637	$112,226	7,718
1981	1,691,373	168,682	8,181
1982	2,032,565	224,055	8,918
1983	2,475,188	278,521	8,868
[illegible]	[illegible]	[illegible]	[illegible]
'80-'84 change	+97.7%	+151.1%	+1,303 (+16.9%)

*Fiscal year ended June 30, 1984.
Source: CSA research

Toys "R" Us hones competitive edge

Toys "R" Us is hooked on electronics: New signage and fixtures to improve displays should help sales in '85.

Although Toys "R" Us ended the fiscal year with high inventories, management does not see this as a problem. The majority of these goods are staple toy lines that the toy supermarket can sell at its regular, low everyday prices. In addition, Toys "R" Us' major competitors were also left with high inventories and are marking down goods and cutting back on new purchasing. This, Toys "R" Us speculates, will allow it to pick up additional market share in '85. At the end of '84, chairman Charles Lazarus estimated that Toys "R" Us controlled 14% of the U.S. toy market, up from 12.5% in 1983.

Electronics proved to be a problem area in the fourth quarter. The category accounted for only 9% of Christmas sales in 1984, compared with 18% in '83, due to a slowdown in video games and computers. Toys "R" Us remains committed to electronics, however. New fixtures and signage to improve displays should help sales in '85. And the company feels new computer products and an expansion of lines to possibly include low-end VCRs will be the key to electronics profitability.

Year	Sales (000 omitted)	Profits (000 omitted)	Stores[1]
1980	$ 597,332	$ 28,993	111
1981	783,285	48,929	130
1982	1,041,738	64,162	169
1983	1,319,642	92,317	177
[illegible]	[illegible]	[illegible]	[illegible]
'80-'84 change	+184.9%	+285.0%	+106 (+95.5%)

*Fiscal year ended Feb. 3, 1985.
[1]Includes Kids "R" Us, department stores and international stores.
Source: CSA research

Sales for the entire Toys "R" Us operation, which included 198 U.S. toy stores, 4 in Canada and 1 in Singapore, 10 Kids "R" Us stores and 4 department stores, were up 28.9% to $1.7 billion. Same-store sales increased 14.4%. Earnings were ahead 20.7% to $111 million—below the 35% annual increases the chain has averaged since 1978.

Future growth will come from international and stateside openings. About 35 new toy stores will be opened in the U.S. in '85, including new territories of upstate New York and the Carolinas. More units are planned for Canada and Great Britain. Fifteen Kids "R" Us stores will debut in '85. The four department stores (all that remain of the original 10) are profitable, but the company does not plan to expand them.

To increase productivity, management has been reorganized into six divisions, each with an operating head who reports to president Norman Ricken. The company is currently testing UPC scanners in three stores to speed customers through checkouts. ☐

Dillard's: Acquisitions taken in stride

Dillard's acquisition of the ailing Stix, Baer & Fuller chain seems to be less of a profit drain than expected.

Dillard's may be forced to become more promotional than it cares to be.

Did Dillard's bite off more than it could chew with its two 1984 acquisitions? Apparently not. While the percentage of earnings increases trailed that of the sales gain, the 42.5% earnings surge, to $49.5 million, and 50.7% sales rise, to $1.3 billion, were far from ordinary. However, earnings as a per cent of sales were not as spectacular as in recent years.

Dillard's purchase of the ailing Stix, Baer & Fuller chain from ADG for $93 million (book value) in February 1984 was the most worrisome move. Management has obviously been pumping money into the chain, adding sophisticated data processing equipment, more stock and more sales help. The old downtown St. Louis flagship, which has undergone a complete renovation, is scheduled to reopen this July as part of a downtown mall. A new Stix/Dillard's store opened in Jefferson, Mo., in March. The chain apparently has not been the profit drain that was expected and should begin contributing to Dillard's bottom line this year.

The other acquisition, Diamonds in Tempe, Ariz., and John A. Brown in Oklahoma City, from Dayton Hudson for $143 million, was made later in the year and did not impact much on '84 figures. Both of those chains were profitable but not dominant in their markets. With the Brown chain, Dillard's may begin competing extensively with itself in Oklahoma City.

Sales for the acquired stores exceeded plan, and expenses were cut by consolidating old operations into Dillard's. Expenses as a per cent of sales have for the most part decreased. Advertising, selling, general and administrative expenses dropped 0.3% to 25.5% over '83, although interest and debt expense was up 0.3% to 3% of sales due to the cost of financing the new stores. Gross margins dipped slightly, from 37.2% in '83 to 36.4% in '84. That's still better than the average department store figure. The same holds true for operating income, down 0.5% to 10.9%, but still above average. ☐

[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

Ames acquires G. C. Murphy

Since 1980, G. C. Murphy has fattened its bottom line by emphasizing its profitable discount stores.

After a year of being a prime takeover candidate, G. C. Murphy was finally acquired this past April by Ames Department Stores Inc. for a cash deal of $48 per share.

Rocky Hill, Conn.-based Ames became a suitor after it acquired 3% of the company stock and options to buy 19.4% from a Minneapolis investor who had posed an unfriendly threat. Although several other companies expressed interest in Murphy, Ames was the only retailer to approach the chain.

Prior to the Ames offer, Murphy initiated a $42.50-a-share leveraged-buyout attempt under an Employee Stock Ownership Plan.

The attraction of the 383 store chain is not surprising. Over the past five years, McKeesport, Pa.-based Murphy has fattened its bottom line—earnings have rocketed 104% since 1980—by emphasizing its more profitable Murphy's Mart discount stores. These 119 units (up from 118 last year) now account for 69% of total sales.

Sales for the year, ended Jan. 31, rose 4.7% to $913.3 million from $872 million the year before. Earnings jumped 9.2% from $18.4 million to $20.1 million and operating profits, a more accurate measure, rose 11.6% (operating profits reported before a one-time gain of $1.3 million for the repurchase of debt).

Murphy's improvement in its net-to-sales ratio is most impressive: In 1982, the net-to-sales hovered at 1.2%; now it is a respectable 2.2%.

Management attributes its better performance to the growth of the Marts and to the closing of unprofitable variety units. Last year the chain shuttered 21 variety units. Eighty-four of these stores have been closed over the past five years.

The newest wrinkle at Murphy is its new FIND (Fashions in New Dimensions) test stores in Robinson Township, Pa., and Gallipolis, Ohio. Both of these stores feature an upgraded apparel selection. ☐

[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

Best's poor '84 spurs restructuring

Despite Best's confidence in its ability to succeed with catalog showrooms, 1984 was a disappointment.

Best has achieved the growth it sought through the acquisitions of Modern Merchandising and Basco, but the 85 additional catalog showrooms that helped produce record sales of $2.25 billion during 1984 also showed a glaring need for Best to consolidate its acquisitions and reorganize.

Despite the 8.2% increase in net sales, net earnings of $13.6 million were down 59% compared to the previous year's $33 million. Gross margin for 1984 eroded to 24.9% vs. 26% for the previous year. Selling, general and administrative expenses for the year were 19% compared to the 18.5% for fiscal 1983.

Year	Sales (000 omitted)	Profits (000 omitted)	Stores
1980	$ 841,003	$21,678	75
1981	1,169,864	19,963	166
1982	1,581,650	26,121	208¹
[illegible]	[illegible]	[illegible]	[illegible]
1984*	2,252,856	13,600	244¹
'80-'84 change	+167.9%	−37.2	+169 (+225.3%)

*Fiscal year ended Feb. 2, 1985.
¹Includes showrooms and specialty stores.
Source: *CSA research*

Having grown from 75 showrooms in 1980 to 244 units in 1984, the company has embarked on an aggressive program to gain tighter central control, increase productivity and change its merchandise mix to take advantage of the muscle its growth has brought. The programs and changes now being put in place exemplify many of Best's problems during the last fiscal year.

On the operations side, Best has announced a regional structure for its catalog showrooms to achieve tighter central control of operations, increase monitoring of merchandise and costs, and improve communications between showrooms/stores and headquarters.

On the merchandising side, the company will centralize its buying staff, eliminating the regional buying system at former Modern Merchandising showrooms.

Best plans to reduce the assortment of merchandise in some lines to increase the commitment to current merchandise and improve inventory control. The jewelry selection will be sharpened to improve turns, and more name brands in sports apparel will be added. Infant and toddler wear will be expanded, and as will its electronics.

In specialty retailing, Best's emphasis will be on Ashby's 29-store off-price women's apparel chain. The future of the 11-store Best Jewelry chain is still being assessed. ☐

Sound asleep he automatically feels the difference.

McCrory fine-tunes its variety stores

McCrory's management is concentrating on its variety store strategy to strengthen market position.

McCrory operates variety stores under several names in 37 states.

The attention given to upgrading large-volume stores paid off for the second consecutive year at McCrory, the variety store division of Rapid American Corp. Sales grew 12.2% to $918 million from $818 million in 1983, while operating profits leaped forward an estimated 33.7% to $101 million from $75.5 million the previous year. This represents approximately 11% as a per cent of sales compared with 9.2% one year ago.

McCrory's management has been fine-tuning its pure variety store strategy to strengthen its market position in the 37 states in which it operates under the names of McCrory, J. J. Newberry, H. L. Green, S. H. Kress and McLellan. Over the past few years, the company has grown by acquiring locations from other merchants and continues to look for stores to acquire.

If all goes well, McCrory Corp. could be running the Los Angeles-based Zodys discount stores by the end of '85. Rapid American already has a partial interest in Zodys parent company, HRT Industries, which pulled itself out of bankruptcy last year.

Year	Sales[1] (000 omitted)	Profits[1,2] (000 omitted)	Stores
1980	$674,000	$ 43,400	761
1981	762,000	50,000	734
1982	790,000	46,200	723
1983	818,000	75,500	716
1984*	918,000	101,000[3]	733
'80-'84 change	+36.2%	+132.7%	−28 (−3.7%)

*Fiscal year ended Jan. 31, 1985
[1] Variety Stores only
[2] Operating profits
[3] CSA estimate
Source: CSA research

McCrory made headlines this year by naming Stephen Pistner as chairman and chief executive of McCrory Corp., and by selling Lerner Stores to The Limited. Pistner comes to McCrory from Montgomery Ward, where he was in the midst of a turnaround effort when he was snatched away.

Lerner Stores had spotty sales and earnings for the past few years, note analysts. McCrory was in the process of repositioning this specialty division when The Limited made an offer to buy it. Earlier this year, Rapid American sold Lerner for $260 million plus the assumption of $40 million in debt. The proceeds will go toward beefing up McCrory Stores and for new ventures, say industry observers. ☐

Mercantile boosts store productivity

Mercantile was able to maintain strong operating profits by keeping a tight rein on S G & A expenses.

Like many department store companies, Mercantile Stores had inventory problems during 1984 which impacted sales and earnings. Earnings inched ahead 1.9% to $84.8 million from $83.2 million in 1983.

Sales were only slightly better because of the closing of the nine-unit Peoples Store division, based in Tacoma, Wash. While total company sales rose 5% to $1.7billion, comparable store sales grew 8.2%.

The gross margin also was affected by excessive promotional activity. It slipped from 32.6% in '83 to 31.7% in '84. For the first time in five years, the company did not better the previous year's.

Nonetheless, the company was able to maintain strong operating profits as a per cent of sales by keeping a tight rein on selling, general and administrative expenses. Operating income was $176 million or 10.3% of sales.

Mercantile Stores operates in 42 U.S. markets and three Canadian cities. Gayfers, Castner Knott and J. B. White (totaling 35 stores) account for 50% of the sales. McAlpin's, The Jones Co., Lion and Bacon (totaling 26 stores) comprise 40% of the sales. The remaining 10% comes from 19 stores in the Joslins, Hennessy's Glass Block, deLendrecie's and Right House divisions.

Year	Sales (000 omitted)	Profits (000 omitted)	Stores
1980	$1,106,076	$42,294	83
1981	1,269,491	57,896	84
1982	1,428,385	69,941	84
1983	1,625,958	83,222	77
1984*	[illegible]	84,788	78
'80-'84 change	+54.0%	+100.4%	−5 (−6.01%)

*Fiscal year ended Jan. 31, 1985.
Source: CSA research

The company's emphasis is on maximizing current store productivity, rather than adding new stores. Sales per gross square foot increased to $167 this year from $156 in '83. Two stores opened: One 135,000-sq.-ft. Castner Knott unit in Huntsville, Ala., and a 27,000-sq.-ft. J. B. White home furnishings store in Augusta, Ga. Mercantile closed the Gayfers downtown Mobile, Ala., store because of its low productivity.

This year, Mercantile will add two more Joslins stores. The first store opened in Colorado Springs and the second one is scheduled for July in Longmont, Colo.

Capital expenditures were $51 million this year compared with $40 million in '83 and $41.3 million in '82. This year, the company estimates expenditures to rise to $60 million, financed from operations and borrowings. ☐

Rose's: Good, looking for better

Although figures were not as high as in '83, Rose's had a solid year: Sales and earnings were up.

It was another solid year for Rose's Stores. Sales and earnings both climbed upward though this year's increases were not as impressive as those in 1983.

Sales rose 11.8% to $927 million. In '83, volume jumped 25.3% to $829.3 million.

"Net earnings increased 9.2% for the year to $23.9 million," says L. H. Harvin III, Rose's chairman. "That means we have more than doubled our earnings in two years." Moreover, this earnings increase comes on the heels of a whopping 89.3% gain in '83 that brought profits up to $21.9 million.

Rose's has steadily grown earnings as a per cent of sales over the past five years. This year, earnings were 2.6% of sales, compared with 1.7% in '82 and 1.2% in '80.

Commenting on '84, Harvin says, "LIFO impacted us positively this year, and that was unexpected. As a matter of fact, we received a LIFO credit instead of a charge. In addition, our tax rate was lower than normal because of investment and targeted jobs tax credits."

However, he adds, "Even with another record year, we could have and should have done better. If fourth quarter sales had met expectations, and if our inventory losses, markdowns and shrinkages had been better, we all would have been more proud of the results. We are anxious to correct our mistakes in 1985."

Rose's operates 197 stores in 13 Southeastern states. Two years ago, corporate sold off its variety store division to free up management's time for concentration on its discount stores. Since then, the company has developed a new prototype and has been remodeling old stores to new format and upgrading merchandise at all Rose's stores.

Apparel departments, in particular, have been beefed up by the redesign. Located in the front of the stores, these higher-margin categories are the first departments customers see. New fixtures provide more display in addition to allowing customers to view more facings of each item. Industry observers attribute Rose's solid performances over the past few years to merchandising changes such as this one. ☐

Year	Sales (000 omitted)	Profit (000 omitted)	Stores
1984*	[illegible]	$ [illegible]	[illegible]
1981	[illegible]	[illegible]	[illegible]
1982	[illegible]	[illegible]	[illegible]
1983	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
'80-'84 change	+ [illegible]%	+ [illegible]%	[illegible] ([illegible])

*Fiscal year ended Jan. [illegible], 1985.
Source: CSA research

NOW THERE'S A CLASSIFIED MARKETPLACE FOR GENERAL MERCHANDISE RETAILERS

CLASSIFIED MART

The Classified Mart will give you a place where you can build a reputation for your company and communicate your growth, vitality and commitment to the business, as well as your need for good people. A regular schedule of ads will bring you a steady flow of resumes from the best people in the field, people you can't reach in any other publication.

Call the Classified Advertising Department (212) 371-9400 now to take advantage of this great new opportunity.

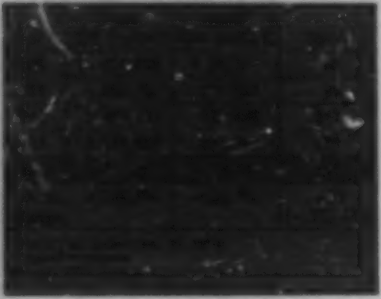
Lebhar-Friedman Inc. "The Voice of Retailing"

Classified Advertising Department
425 Park Avenue, New York, New York 10022
(212) 371-9400

BATUS battles chilly retail climate

BATUS's stores are in very competitive markets, which contributed to poor showing in sales last year.

Sales in BATUS's 12 retail divisions declined a whopping 26.9%.



Many retailers got nipped by the frosty retailing climate last year but few were hit as hard as BATUS. Although sales from its 12 retail divisions advanced 7.3% to $3.4 billion, operating profits tumbled 10.2% to $196 million.

It was the first year of the past five for BATUS that earnings had declined. Previously, the company managed to grow sales and earnings through acquisitions of chains. The last company obtained, Marshall Field, is already in its second full year of operation under the BATUS umbrella. Analysts attribute the poor showing in sales and earnings to the highly competitive markets in which BATUS stores operate. In particular, Gimbels East and Marshall Field had to be as promotional as ever.

The Chicago-based Marshall Field reacted to the pressure from additional high-end retailers, such as Neiman-Marcus, I. Magnin, Saks and Lord & Taylor, all of which have staked out claims in Marshall Field's crowded territory. With Bloomingdale's scheduled to open on Michigan Avenue in '86, it is not likely that Chicago's promotional warfare will soon die down.

Capital expenditures for the corporation dropped from $113.2 million in '83 to only $98 million last year. The majority of the funds went toward opening 21 stores. With so many of the BATUS stores in need of refurbishing, analysts question the reduction and allotments.

During 1984, Saks opened two stores, one in San Antonio and one in Palm Springs. The New York-based division is up to 40 units.

Marshall Field plans to follow Saks into San Antonio in 1986 with one new store, although it did not open any in 1984 and does not plan to open any this year. The San Antonio store will be Marshall Field's fourth in the Lone Star state; the others are in Dallas (1) and Houston (2).

Kohl's continues to grow rapidly. It added five new stores, giving the Brookfield, Wis.-based merchant 34 units. This expansion came on the heels of nine new stores in '83 and five new ones in '82. ☐

Circuit City poised to take on L.A.

By early 1986, Circuit City plans to open nine L.A. superstores, in addition to six planned for fall '85.

Boosted by 37% same-store sales increases, Richmond, Va.-based electronics and major appliance retailer Circuit City Stores (formerly Wards Co.) posted a 46% sales gain from $356.7 million in 1983 to $519.2 million in 1984. Net profits of $20.2 million were ahead 68% over last year.

The operator of 48 Circuit City and Lafayette/Circuit City stores in the Southeast and New York, 15 superstore showrooms in Virginia, North and South Carolina, Tennessee and Georgia, and 31 licensed departments and two outlet locations in Zodys discount stores in the Southwest, Circuit City turned in its third consecutive year of earnings growth, despite the loss of departments in shuttered Zodys units.

By Feb. 28, 1986, Circuit City expects to close all of its Zodys leased departments and begin opening nine Los Angeles area superstores in addition to the six already on the boards for the fall of 1985.

In 1984, Circuit City net earnings as a per cent of sales increased to 3.9% from 3.4% the year before. Though gross profits slipped slightly to 28.6% of sales from 28.8% in 1983, the decline was offset by reductions in both SG&A and interest expenses.

Expressed as a per cent of sales, interest expense fell from 3.8% in 1983 to 2.7% last year. Selling, general and administrative expenses fell from 22.2% of sales in 1983 to 21% last year.

Commenting on projections for 1985, president Richard L. Sharp says, "The Company anticipates sales in the range of $725 million-$750 million. Earnings for the year should again be at record levels but are not expected to increase as rapidly as sales, particularly in the first two quarters.

"This is principally attributable to slower store-for-store growth and costs associated with new store openings, including the significant restructuring of the Los Angeles market," Sharp concludes. ☐

ADG may go back to its roots

Carefully planned expansion and control of inventories result in improved sales and earnings at ADG.

Caldor was forced into heavy promotions due to high inventories.

A difficult year for Associated Dry Goods may prompt the retailer to turn more attention to its department store roots as the earnings of its discount stores slow.

Corporate sales of $4.1 billion last year were a 10.5% gain for ADG's 11 department store divisions and Caldor and Loehmann's, its discount stores. Earnings of $120.7 million were up 4.4%.

Operating profits for Loehmann's and Caldor went from $86.3 million in 1983 to $86 million in 1984, a decline of 0.35%. Loehmann's faced pressures from promotional department stores and Caldor was forced into heavy promotions because of high inventories and increased discount store competition. By comparison, the department stores' operating profit rose from $227.3 million to $240 million, a 5.6% increase.

After years of relatively easy expansion in the Northeast, and the accompanying dramatic boost in sales, the discount stores have been forced to cut into their margins.

The selection of former Bloomingdale's president James Guinan, noted for his operations expertise, as ceo of Caldor, and merchandising exec Len Williams as president of the discount chain, puts Caldor on solid management footing. Now the task is to improve margins through greater emphasis on apparel, which would put Caldor in a better position to fend off challenges from its major competitor, Bradlees.

ADG's 11 department store divisions fared better than the discount operations because their strength in the markets they serve allowed them to ride out the storms of the fourth quarter.

ADG is particularly pleased with the performance of Lord & Taylor and The Denver Dry Goods Company because they were able to exceed sales and profit plans in a difficult year.

During 1984, just two department stores were added and 14 discount stores were opened. The expansion plans for 1985 and 1986 are more balanced. ADG will open five Caldor stores this year and 13 Loehmann's. Eleven new department stores will be opened, with the emphasis on growth areas in Florida, Los Angeles and San Diego.

[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

Despite ongoing expansion, ADG reduced its debt-to-equity ratio to 33.8% last year from the previous 48.3%. Inventories at year end, on a comparable-store basis, were up 12.4% for department stores and 9.2% for the discount store group.

When ADG fell into the same fourth quarter inventory trap that snared most retailers in 1984, its combined annual gross margin slipped to 24.5% from its previous performance of 24.9%. In the early months of the new fiscal year, ADG has been able to bring inventories in-line with its sales projections and has stayed with its planned promotional programs. ☐

Paper train your ad manager.

If your advertising manager and media buyer have been piddling around and not buying enough Tulsa newspaper space, don't rub their noses in it.

Simply remind them that *the Tulsa newspapers get results.* Encourage them. And when they've learned to go to the Tulsa newspapers more often, and your retail sales begin to increase, be sure and praise them.

Cut down on media buying accidents. Start Tulsa paper training your ad manager today.

TULSA WORLD
The Tulsa Tribune

Newspaper Printing Corporation. Agent for the Tulsa World and The Tulsa Tribune. Two independent and separately owned newspapers represented nationally by Branham.

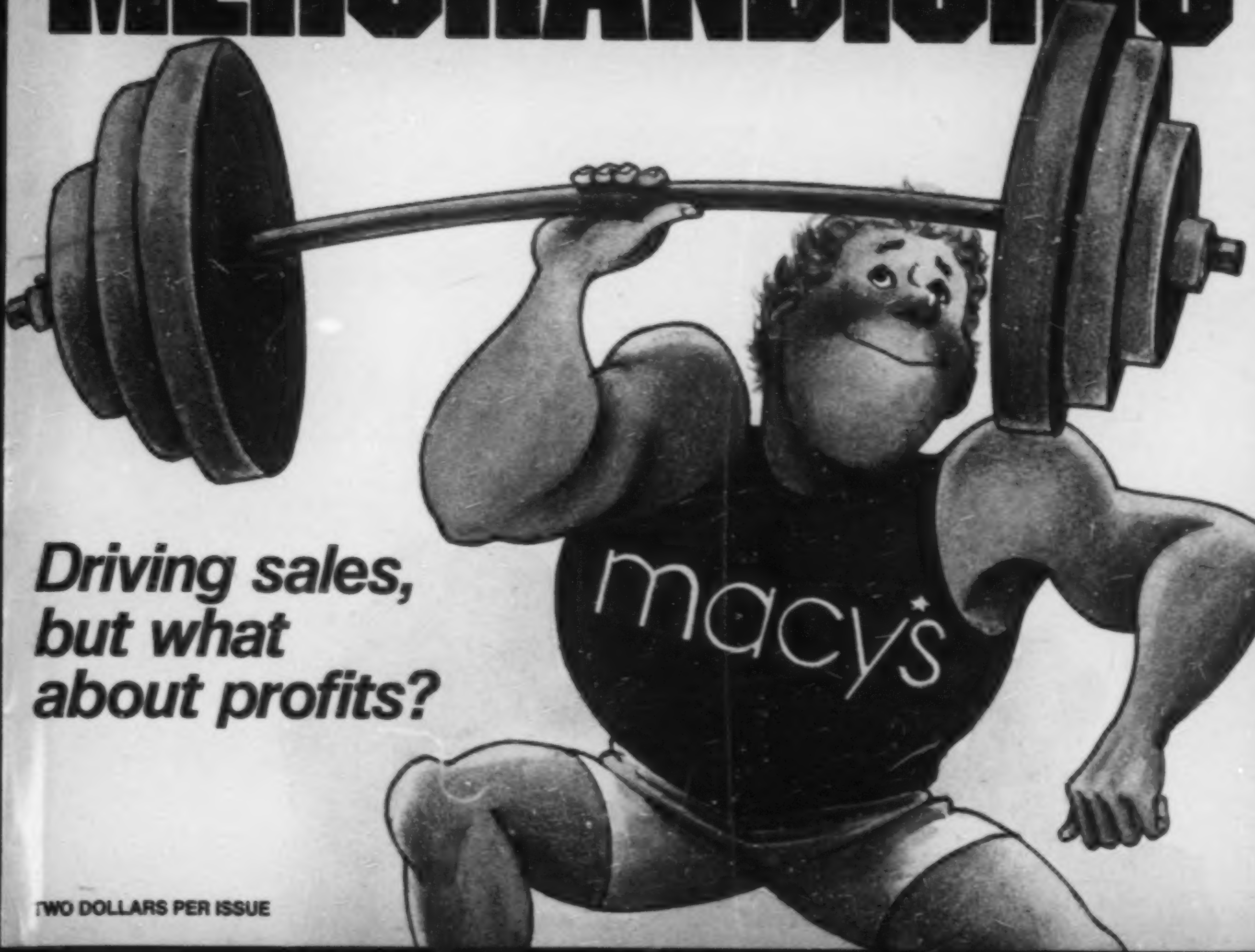
Marketpower: Top 20 departments

How shoppers rate MainStreet

C5150-7

Chain Store Age
GENERAL MERCHANDISE TRENDS July 1985

POWER MERCHANDISING



Driving sales, but what about profits?

TWO DOLLARS PER ISSUE

CONTENTS

July 1985

MainStreet is not yet paved with gold 27

Industry Trends

Power Merchandising: Where have the profits gone? 15
ZCMI: Competition sharpens its saw 17

Top 20 Departments

MarketPower: Hard goods shoppers prove most demanding. 33
Accessories: Spanning the seasons 37
Automotives: Specialty stores in passing gear 39
Hardware: DIY still pushes sales 41
Home Textiles: Naturals fan cooling sales 42
Consumer Electronics: Posting another record year 45
Lawn & Garden: High prices in barbecues catch on 46
Photo/Camera: Photo sales good, margins tight 49
Home Computers: Heady predictions, hard realities 50
Nonelectric Housewares: Thermal carafes tops in 1984 53
Electric Housewares: Innovations put a charge in sales 54
Licensing: Is it really such a risky business?. 56
Hosiery: Sales enjoy a good turn out 57
Toys: Back to the Cabbage Patch 59
Sporting Goods: Saturated market may hurt sales. 60
Women's wear: New styles show off fit shapes 61
Cosmetics/H&BA: Giorgio boosts fragrance sales 62
Children's/Infants' wear: Mini baby boom stirs sales 64
Men's wear: Political climate influences fashions 65
Sewing: Can fashion trends boost home sewing? 66
Footwear: Sales flat, but flats fare well 68
Hobby/Crafts: Sales are just hobbling along 69
Stationery: Home office has a lock on sales growth 73

Special Report: Computer Departments

Classified Mart 74

CHAIN STORE AGE General Merchandise Trends (ISSN 0193-1350) is published monthly by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Retailers: $12 a year; three years, $32. Wholesalers, manufacturers, schools, libraries and all others: $20 a year. Foreign subscriptions: Airmail only, $100 a year. Single copy rate $2. Second Class postage paid at New York, N.Y., and at additional mailing offices. Vol. 61, No. 7. Copyright © 1985 by Lebhar-Friedman Inc. All rights reserved.
ALL CORRESPONDENCE should be addressed to Executive Offices, Chain Store Age General Merchandise Trends, 425 Park Ave., New York, N.Y. 10022. For a change of address, six weeks notice to Circulation Fulfillment Director, 99 Park Ave., New York, N.Y. 10157, is requested. Give old and new address and zip code. If possible enclose address portion from cover on previous issue. Postmaster: Please send address changes to *Chain Store Age, General Merchandise Trends*, Subscription Dept., 99 Park Ave., New York, N.Y. 10157. Member Audit Bureau of Circulations, Second Class Mail Publications Inc., and Magazine Publishers Association.
Copyright © 1985 by Lebhar-Friedman Inc.

HARD GOODS SHOPPERS PROVE MOST DEMANDING

A recent survey of consumers finds workmanship and price the two most important elements for shoppers when buying hard or soft goods.

Shoppers polled showed little store loyalty—wide assortment and competitive pricing, however, were important.

America is more demanding when it shops for hard goods than when it purchases soft goods. But no matter what consumers buy, be it electronics or women's apparel, workmanship is the most important element in the buying equation, outdistancing even price, according to a *Chain Store Age*/Leo J. Shapiro & Associates survey of consumers.

Of the six product categories surveyed, electronics proved the area where shoppers were most demanding. Six of the dozen criteria considered before making a purchase were voted more important in electronics than in major appliances, housewares, furniture, men's wear and women's wear.

Workmanship, the highest rated characteristic, actually proved most important to furniture buyers. The looks of the goods also scored high among furniture shoppers, higher, in fact, than consumers rated looks for apparel.

Among the 12 characteristics, price was rated second most important, behind workmanship. Price was considered most important by major appliance buyers. These same shoppers rated guarantee of most importance in major appliances, reflecting the high ticket nature of that business and the desire of consumers to have some reassurance from either the vendor or the retailer.

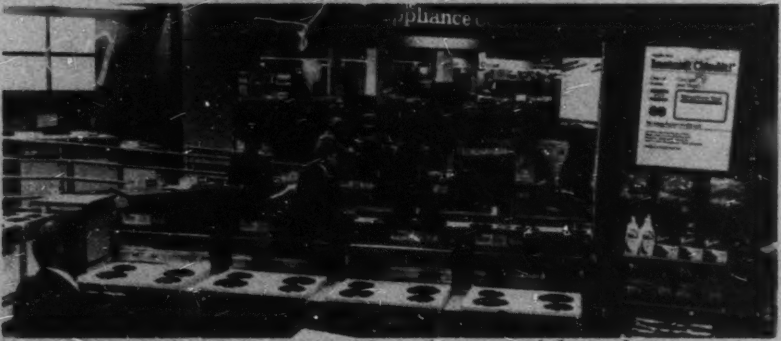
On a scale of 1 to 9, with 1 being "not important," looks, workmanship, price and guarantee all ranked in the middle of the scale, achieving mean ratings which averaged from a high 5 to a low 4. Of much less importance to shoppers were such elements as specific store, brand name or assortment.

Of these bottom three criteria, specific brand names and a wide assortment were rated as more important than the type of store that carried the goods, and less important than the shoppers' ability to buy the product for less. This indicates that shoppers feel they have little reason to be loyal to a specific store. Rather, they look to buy an item at any store that offers them a wide assortment and is price competitive.

Workmanship key for both men and women

	Men	Working women	Working women with kids	$40k + income	$20-$39K	Under $20K	Age under 30	30-39	40+
Workmanship	5.64	5.52	5.54	5.78	5.47	[illegible]	5.36	[illegible]	5.44
Price	5.30	5.41	5.43	5.45	5.36	5.10	5.41	5.44	5.21
Material	4.93	5.01	4.97	[illegible]	4.93	4.77	4.91	[illegible]	[illegible]
Looks	4.75	4.88	4.78	4.81	4.87	4.83	5.14	4.67	4.75
Buy for less	4.84	[illegible]	5.01	4.79	4.78	[illegible]	[illegible]	[illegible]	4.72
Guarantee	4.51	4.81	4.97	4.60	4.72	4.55	4.60	4.71	4.72
Assortment	3.78	3.74	3.74	3.56	3.62	3.84	3.87	3.71	[illegible]
Brand name	3.68	3.75	3.70	3.59	3.65	3.90	3.74	3.52	3.71
Store	3.50	[illegible]	3.44	[illegible]	3.49	[illegible]	[illegible]	3.37	[illegible]
Country of origin	3.51	3.22	3.31	3.22	3.58	3.39	3.00	3.35	3.68
Advertising	3.10	2.93	[illegible]	2.82	3.06	3.35	[illegible]	[illegible]	[illegible]
Packaging	2.56	2.58	2.53	2.38	2.62	2.82	2.62	2.54	2.65

Average rating of importance on a scale of 1 (not important) to 9 (very important).
Source: Chain Store Age/Leo J. Shapiro & Associates


Because of major appliances' high tickets, shoppers look for product guarantees.

Electronics shoppers are most demanding

	Major appliances	Furniture	Housewares	Electronics	Men's wear	Women's wear
Workmanship	[illegible]	5.69	[illegible]	5.77	[illegible]	5.25
Price	5.69	5.39	5.56	5.24	5.26	5.30
Material	5.17	4.73	[illegible]	4.92	[illegible]	5.16
Looks	4.36	5.17	4.38	4.71	4.89	5.13
Buy for less	[illegible]	4.22	[illegible]	[illegible]	[illegible]	4.82
Guarantee	5.34	4.87	4.78	4.91	4.28	4.62
Assortment	[illegible]	3.87	3.77	3.91	[illegible]	3.78
Brand name	3.95	3.61	4.03	3.84	3.79	3.58
Store	[illegible]	3.15	[illegible]	3.74	[illegible]	[illegible]
Country of origin	3.52	3.13	3.50	3.57	3.36	3.16
Advertising	[illegible]	[illegible]	[illegible]	3.25	3.24	3.03
Packaging	2.42	2.45	2.64	2.84	2.56	2.67

Average rating of importance on a scale of 1 (not important) to 9 (very important).
Source: Chain Store Age/Leo J. Shapiro & Associates.

At the same time, quality of advertising was a very low factor in determining which product was bought, and packaging was the least important criteria (of the 12 named) in choosing a specific item.

Several discount chains such as K mart are upgrading packaging to help improve their image as a "quality" store. In home textiles, K mart specifically asks manufacturers to package goods in reusable zippered vinyl bags. "The customer has a better perception of value when the product is in a bag that's not torn up or damaged," says Marilyn Gill, senior buyer. But according to the Shapiro study, how well the product is packaged will not sell the customer if other criteria, like price and workmanship, are not met.

In addition, stores which are planning ad campaigns or flagging merchandise as "made in the U.S.A." shouldn't expect these promos to result in any big increase in sales. Country of origin rates moderately low as a reason to choose an item. It is of most importance to electronics shoppers—and many of those may specifically be buying Japanese-made products because of Japan's dominance in this category.

Shoppers in the market for men's or women's wear do not appear to judge merchandise in these soft lines as carefully as they do in hard lines. Material, for example, was most important to housewares shoppers, and next most important to those looking at major appliances. Women's wear placed third in the ranking of material, followed by men's wear.

Men's wear purchasers were slightly more likely to be swayed by brand names and advertising than those shopping women's wear. But the importance of brand names in apparel was much less obvious than in hard lines. Of the six product categories broken out, brand name was least important in women's wear.

Although men's and women's wear retailers and manufacturers believe customers are looking more for quality apparel today, this survey does not seem to back up that assumption. While workmanship is important to apparel shoppers, so is price and the ability to buy for less. Perhaps the soft lines shopper's definition of quality is a bit less demanding than the one he or she uses for hard lines like electronics.

Working women—one group that has been touted as quality-conscious—are less likely to buy an item for its workmanship than are men or working women with kids. They are more likely to buy a brand name, or choose an item for its material or looks.

Working women with kids are the shrewdest shoppers, probably because budgets are tighter. These women look for guarantees, workmanship, good price and the ability to buy for less. Men appeared to be most swayed by factors outside of the item itself, such as advertising, shopping a specific store, and country of origin.

Stores catering to the new generation of shoppers, those under 30, may have the most problems with shopper loyalty. These customers are not as particular about goods as older customers who have lived through hard times. Shoppers under 30 are more concerned about brand names, assortment and looks than older shoppers. Shoppers in the oldest age group, over 40, look at the store, the packaging, the material and the guarantee. Customers in the 30-39 age range show the most typical shopping pattern among those surveyed. This group looks at workmanship, followed by price and the ability to buy for less.

Customers with the highest incomes, over $40,000, are quality shoppers, looking for material, workmanship and good prices. Shoppers with limited incomes, under $20,000, weigh more factors in deciding on a purchase. These shoppers look at packaging, brands, advertising, stores, the ability to buy for less and the assortment offered. Although they have less money to spend, this group is more difficult to please than higher-income shoppers.

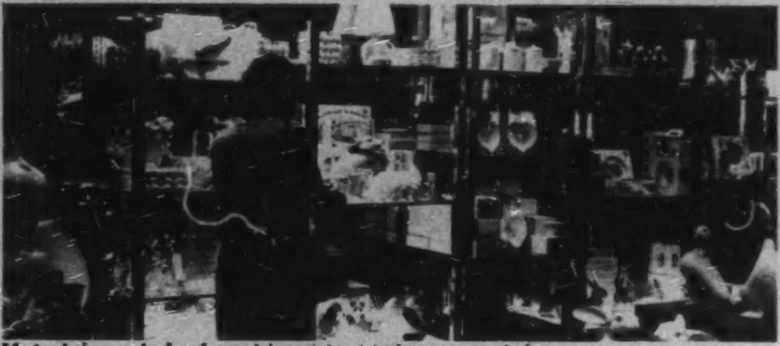
There is some regional variation in the strength shoppers give to the 12 criteria. Surprisingly, of the five markets surveyed, Los Angeles shoppers are the most likely to seek quality goods. Customers on the West Coast believe workmanship, material and looks are important.

Philadelphia residents are the most price-conscious of the five markets. These shoppers rate price and the ability to buy for less as important factors in choosing an item.

Chicago-area shoppers appear to be the most likely name droppers, not Angelenos, as expected. High on Chicago shoppers' checklists are brand names, advertising, specific stores, guarantees and packaging.

Customers in Dallas and Atlanta appear to be the most well-rounded of the group surveyed. They tend to weigh all 12 factors more equally than do those in the other three markets. Price and workmanship, for example, are of equal value to Atlanta and Dallas residents. Workmanship, however, was more important than price to Los Angeles and Chicago shoppers. Philadelphia shoppers weighed price more heavily than workmanship. ☐

—Marsha Parker Cox



Material was judged most important to housewares' shoppers.

Chicago consumers are most brand, store conscious

Criteria	Chicago	Atlanta	Dallas	L.A.	Phila.
Workmanship	5.37	5.26	5.44	5.71	[illegible]
Price	5.23	5.26	5.43	5.28	5.45
Material	[illegible]	4.96	[illegible]	5.20	[illegible]
Looks	4.81	4.74	4.81	4.93	4.89
Buy for less	[illegible]	4.86	[illegible]	4.51	[illegible]
Guarantee	4.82	4.64	4.81	4.50	4.62
Assortment	[illegible]	3.86	[illegible]	3.79	[illegible]
Brand name	3.97	3.73	3.61	3.42	3.58
Store	[illegible]	3.38	[illegible]	3.45	[illegible]
Country of origin	3.42	3.36	3.24	3.28	3.57
Advertising	3.12	3.07	[illegible]	2.72	[illegible]
Packaging	2.86	2.57	[illegible]	2.59	2.52

Average rating of importance on a scale of 1 (not important) to 9 (very important).
Source: *Chain Store Age*/Leo J. Shapiro & Associates

Top 20 departments

Department	1984	1983	% change
1. Automotive	$ 81,[illegible]	[illegible]	+ [illegible]
2. Hardware	68,400,000,000	62,500,000,000	+ 9.4
3. Women's wear	48,[illegible]	[illegible]	+ 5.7
4. Consumer electronics	34,000,000,000	28,000,000,000	+21.4
5. Lawn & garden	33,700,000,000	[illegible]	+17.[illegible]
6. Nonelectric housewares	32,100,000,000	29,100,000,000	+10.3
7. Stationery	26,700,000,000	[illegible]	[illegible]
8. Men's wear	23,100,000,000	21,800,000,000	+ 6.0
9. Footwear	21,[illegible]	21,[illegible]	+ 2.4
10. Home textiles	18,300,000,000	16,600,000,000	+10.2
11. Cosmetics/HBA	18,100,000,000	[illegible]	+11.[illegible]
12. Electric housewares	17,300,000,000	15,700,000,000	+10.2
13. Children's/infants' wear	[illegible]	[illegible]	+ 2.[illegible]
14. Sporting goods	14,900,000,000	13,500,000,000	+10.3
15. Toys	12,100,000,000	[illegible]	[illegible]
16. Photo	10,900,000,000	10,400,000,000	+ 4.8
17. Accessories	[illegible]	[illegible]	[illegible]
18. Hosiery	5,400,000,000	4,800,000,000	+12.5
19. Sewing	[illegible]	[illegible]	N/C
Totals	[illegible]	[illegible]	+ [illegible]

Total industry sales including specialists, drug stores and supermarkets.
N/C = No change.
Source: *Chain Store Age* research

ACCESSORIES

SALES: $10.7 BILLION

Buyers predict earrings, bangles and beads will be big sellers this year.

Accessories' sales span seasons

The impact of teen idols on the accessories category has boosted sales of sunglasses and fashion jewelry.

The moment rock star Prince flashed his gloved hand on TV or Madonna donned a pair of Ray Bans, retailers noticed a flurry of sales activity in both categories.

Throughout the accessories category, the influence of teen idols helped stir up business. Spurred by strong volume in watches, sunglasses, gloves and jewelry, accessories sales climbed 20% in 1984 to a record total of $10.7 billion.

Merchants were especially pleased to see accessories transformed from a seasonal to year-round business. Sunglasses, for example, now sell almost equally well in the winter as summer. Retailers are reacting to the stronger sales volume by enlarging the selections. On the whole, the accessories category is a retailer's favorite because it provides solid profits (margins average 40% and up) without huge space or inventory commitments.

A 35% leap in sales made sunglasses the fastest-growing segment of the accessories classification. Overall, sunglass sales surpassed $1 billion last year. Department and discount operators claimed 40% of all sales.

The big styles during 1984 were flat brows, cat eyes, preppy looks and large wraps in bright colors, white or black. Neons were passé for department stores but dynamic for discounters such as Gold Circle, Woolworth and K mart.

For 1985, senior buyer Larry Irving at K mart predicts frameless, bent temple and granny style glasses will command the fashion segment of the business. K mart is one of several chains planning to upgrade sunglasses and promote them more during 1985 than 1984.

Many chains, such as Gold Circle will improve the department look by creating boutiques. The Broadway, according to buyer Syd Fry, will bolster its business with designer frames carrying price tags as high as $65. On the average, department stores now report carrying eight or nine brands. Discounters typically house four or five lines.

Watches and jewelry lagged just behind sunglasses in sales growth during 1984. The watch category was fueled by the dynamic entrance of Swatches and other colorful sport watches.

Retailers who could not get the $30 Swatches turned to similar items such as Armitron's Awatch or private label knockoffs. Sears is currently "blowing out" the Armitron Awatch while Gold Circle has big plans for its own imported fashion watch priced at $10.

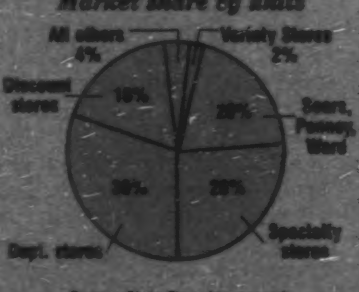
A shift from bright colors to naturals boosted sales in the $4.6 billion jewelry area. According to Ed Kovatch of Accessories Associates, increased sales of naturals and ivory tones produced incremental business on top of volume generated in bright colors.

ALCO and T.G. & Y. buyers also mention promising sales of twists of beads, plastic bangle bracelets and "shoulder duster" earrings. During 1985, buyers predict earrings will continue to be a sought after item.

"Hair styles are shorter and that always means better earring sales," confirms Irving at K mart. K mart also plans to enrich its mix with more 10 karat rings, he adds.

Sales in the other accessories areas—hats, belts and men's accessories—remained flat during 1984. Most retailers explain the soft sales by pointing out that 1984 did not produce a fashion role model. "We did not have a Lady Di to increase hat sales," one buyer concludes. ☐

Market share by units



Source: Chain Store Age research

Productivity breakdown

	Dept. stores	[illegible]	Mass merch./ variety
Sales per square foot	$185	[illegible]	$130
Annual turnover	[illegible]	[illegible]	4.8
Gross margin	38%	47%	45%

Source: Chain Store Age research

Growth areas

- Fashion watches
- Sunglasses
- [illegible]

SALES: $81 BILLION

Auto specialists in passing gear

A few years down the road, mass merchandisers may be forced to offer the same services as the specialists.

Auto parts specialty stores have learned the mass merchandising strategies needed to expand their market share, and the discount stores are feeling the impact on their sales.

Overall, mass merchandisers are experiencing real growth of just 2% to 3% annually in their automotive departments, with inflation raising 1984 growth to 6%. Retailers expect similar performances in 1985.

Interior dress up items turned in another strong year in 1984 and should continue to be strong throughout this year. DIY products proved inconsistent, with Detroit getting some of the blame for installing ever-more sophisticated systems that are more difficult for consumers to replace themselves. Waxes and polishes are not moving well because of the continuing proliferation of new products each year that confuse shoppers.

While the combination of strong new car sales and the longer life of older cars could have added up to increased sales in the automotive department, in most cases they did not. Instead, retailers continue to feel the impact of national and regional auto specialty stores which combined discount store merchandising strategies with personal service and broader assortments to boost their own sales. The five year/50,000 mile warranties on new cars have helped dealers hold on to their small share of sales.

As always, there are exceptions to the rule of slow growth, and in this case it is the strong results posted by T.G. & Y. The chain achieved stronger 1984 sales and expects to repeat that performance in 1985 with sales growth in excess of 7% because of an expanded mix, bigger and better displays, and a highly promotional approach.

A T.G. & Y. spokesman said sales of interior dress up items were "excellent," and reported a "triple digit increase" in seat cover sales as the result of a broader assortment and greater sensitivity to changing fashions and tastes.

The spokesman explained, "We haven't done anything unusual, but the management is automotive-oriented." The stores added a new floor mat display, and space for oil was expanded. Some products were relocated to promote cross-merchandising, with excellent results.

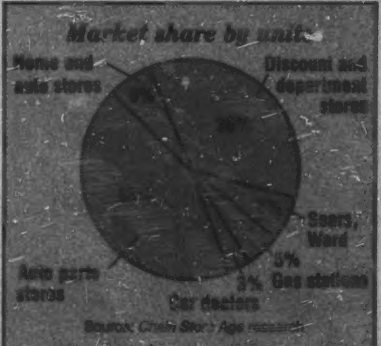
Sears' experience with automotive products in 1984 was good, but very different from its competitors. DIY sales that were soft for most others were strong for Sears because of a wider assortment and improved product packaging. Waxes and polishes were strong, and interior dress up products are going through a slight downturn this year.

ALCO's success pattern mirrors that of the industry, with strong dress-up sales and soft sales in DIY and polishes. A spokesman for the chain views the growing presence of auto parts stores as a major factor in the marketplace. He also notes the interest large drug store chains are showing in automotive products, as some reduce sku's of their traditional products to make room for higher-margin automotive products.

Some retailers see a turning point in the industry within five years, at which time mass merchandisers may be forced to respond to the specialty stores' challenge by either scaling down their mix and their expectations, or offering the same assortment and personal service as the specialists. ☐

60000
MOTORVATOR
45000
40000
25000
25000

Do-it-yourselfers with older cars have not translated to strong parts sales.



Source: Chain Store Age research

Productivity breakdown

	Dept. stores	Big 3	Mass merch./variety
[illegible]	$37	$125	$123
[illegible]	2.35	3.7	3.3
[illegible]	[illegible]	25.4%	23.1%

Source: Chain Store Age research

VM120
ENGINE

SALES: $68.4 BILLION

DIY still pushing hardware sales

Young, affluent professionals are proving avid do-it-yourselfers, prompting growth in hardware.

Although it is not as flashy a business as consumer electronics, photo or high-end housewares, hardware is being driven by some of the same forces which shape these other markets. Young, affluent professionals, many of whom have entered prime family rearing years, continue to prove avid do-it-yourselfers, and their enthusiasm has encouraged predictions that the DIY segment of hardware will grow an average of 9% a year for each of the next five years.

To zero in on that business mass marketers continue to reshape their hardware presentations, striving for a clean, fashionable look and clarity in displays. In fact, if there was a major story in hardware last year it was the rapid movement of major chains to completely planogrammed departments and mass market packaging.

The emphasis on presentation is evident at the largest hardware retailer, Sears. It has upgraded its packaging on hand tools with photographic panels describing the uses of each product and its special trade-up features. The chain also recently handed out an award to one of its hardware vendors, Sta-Rite, for a Store of the Future display of water pumps which can be adapted easily to any of its variously sized units.

Mass market-oriented packaging has become common. Mortell, a manufacturer of weatherstripping, restyled its packages to include application photos and suggested uses for its products. The company's new look and new displays are aimed at allowing discounters, drug stores and supermarkets to get into the market without a major inventory investment.

Rivaling the new emphasis on presentation is the growing importance of imports in certain segments of the category. Imports now account for about 45% of sales in hand tools, power tools and basic hardware. That is up from 35% two years ago. Mass marketers have fueled that rise. They account for 25% of all foreign hand tools sold in this country.

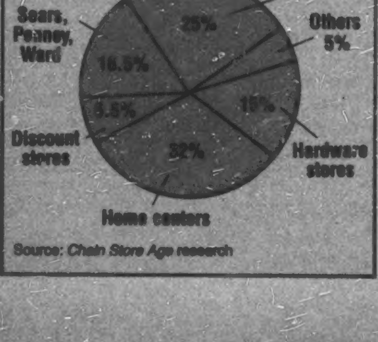
Rising prices have created this surge in imports. In the last four years the price of the average hand tool has nearly doubled to between $8 and $10.

The industry continues to hope that innovations will spur the power tools category, although sales remain flat. The business is still transacted principally around Christmas and Father's Day, and the replacement market which has been anticipated for several years has failed to materialize.

Still, buyers hold out hopes for cordless drills, even though sales are building slowly. Many mass marketers now carry one cordless model.

"Sales are picking up, but I feel it's still a year or so away from being a real good item," says Tom Swartz, hardware buyer at Duckwall-ALCO. ☐

Market share by units



Source: *Chain Store Age research*

Productivity breakdown

	Dept. stores	Big 3	Mass merch./ variety
Sales per square foot	$124	$217	$181
Annual turnover	1.7	3.7	2.6
Gross margin	34%	38%	32%

Source: *Chain Store Age research*

Growth areas

- Paints and accessories
- Cordless power tools
- Imported hand tools

SALES: $18.3 BILLION

In towels, units have been strong, but falling prices hurt solid color sales.

Naturals fan cooling textile sales

Slow sales in late 1984 carried over into '85, making it a difficult spring for home textiles merchants.

Home textiles averaged 10% sales growth in 1984, despite the tough year overall for retailing. Sales took off in the first and second quarters but, unlike past years, fizzled out in the third and fourth quarters.

Slow sales in late '84 carried over into '85, making it a difficult spring for home textile merchants. Still, retailers are hopeful they will be able to recapture consumer attention and grow home textiles 8% to 10% this year.

The presence of natural fibers, in everything from bed to table linens, will fan the cooling embers. In fact, some retailers are making the most of consumer interest in these fibers by promoting such themes as "The Natural Bed" and just "cotton."

"There's a big push for cotton and wool," says Stephen Ritch, blanket buyer for May Co. Calif. "Customers like the naturals . . . they are perceived as quality."

Natural fibers are available in a growing number of products, particularly in the bed and bath categories. Retailers are padding margins slightly, as well as increasing volume, with higher cotton-content sheets in both wovens and flannels.

This fall, natural fibers should continue to boost blanket sales, a category in which units have been relatively flat and dollars have been down due to price cutting. Retailers plan to carry over the wool emphasis into throws and hope consumers respond enthusiastically at the cash registers.

Other bedding classifications to add natural fibers merchandise include mattress covers and pillows. As consumer awareness grows, retailers expect these items will stir the basics business.

Waterbed sheets is another classification gaining momentum. Better styling from smaller suppliers, in addition to the entry of some big mills have provided merchants with a broad selection. Some better department stores are aggressively seeking the business promoting this merchandise in catalogs and ads to pump up sheet volumes.

In towels, units have been strong, but like sheets, falling prices have hurt dollar gains, especially in the solid color business. During 1985, retailers expect the soft towel business to continue to dry up. Jacquards, on the other hand, will grow stronger but will remain a small part—less than 10%—of towels.

Shower curtains, bath rugs, and accessories all helped stabilize margins for the bath category. Shower curtains profited from the influx of new styling in vinyls as well as the higher content of cotton in the fabrics.

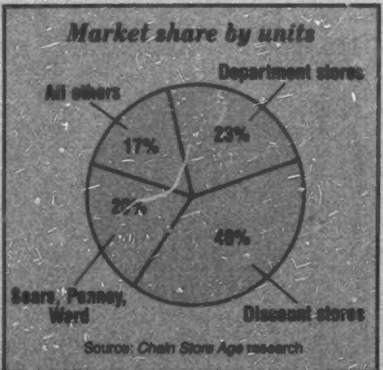
Retailers are benefiting in bath rugs from the glut of suppliers, giving merchants the edge in price negotiations. However, stores must provide a well-rounded assortment in a neat and cared-for display in order for bath rugs to be a significant, profitable business.

In table linens, tablecloths are making a comeback. New vinyl designs encourage shoppers who were previously disillusioned with vinyl styling to make purchases. Moreover, consumers are doing more formal dining, which includes increased usage of lace and embroidered tablecloths.

Curtain and draperies, too, continue to improve as a category. Country looks such as priscillas still remain quite popular and retailers note more movement in tiers.

Under hard treatments, pleated shades and microblinds have held their own. However, some merchants report a downtrending in all hard treatments as a direct result of the better curtain and drapery business. ☐

Market share by units



Source: *Chain Store Age* research

Productivity breakdown

	Dept. stores	Big 3	Mass merch./ variety
Sales per square foot	$75	$85	$96
Annual turnover	1.9	2.2	2.6
Gross margin	41.1%	36.8%	34.1%

Source: *Chain Store Age* research

Growth areas

- Natural fibers
- Vinyl tablecloths
- Bath rugs

SALES: $34 BILLION

Electronics posts another record

More than half of the electronics industry's growth came from the phenomenal success of the VCR.

For the ninth consecutive year, consumer electronics turned in yet another record performance. Retail sales grew 21.4% to $34 billion in 1984. Estimates for 1985 indicate a slower growth rate, 3%, but the industry should turn in at least one more record with retail volume topping $35 billion.

More than half of the industry's growth last year came from a single product—the video cassette recorder. Over seven million VCRs were sold in 1984, and estimates for 1985 indicate that 10 million to 12 million units will move through stores before year's end.

Looking to jump on the bandwagon, South Korean and Taiwanese vendors have entered the market. On the retail side, traditional electronics merchants will also find new players. Toys "R" Us, for one, has repeatedly made known its desire to sell low-end VCRs—if they can get product at the right price.

Not surprisingly, blank video cassette sales also rose to a record high. Over 90 million blank tapes were sold last year, a 42% hike over 1983, but heavy promotion kept dollar volume to a 13% increase. The year saw traditional film vendors, such as Kodak, Polaroid and Konica, entering the magnetic market, attempting to grow out of the maturing film business.

As the blank tape market explodes, however, channels of distribution are shaking. Grocery, drug and variety stores are picking up share this year—primarily at the expense of A-V specialists.

Color television, which already enjoys a 91% household penetration, turned in its best year in the history of TV. Sales grew to over 16 million units, up from 14 million in 1983. This year's volume should run even with 1984, with dollar volume slipping slightly.

Even audio proved exciting last year. Most of the attention centered on the compact disc player, where sales took off to nearly a quarter million units as prices dropped to under $300 just in time for the Christmas selling season. Projections for 1985 show that sales for CD players will nearly triple this year.

Though A-V specialists and department stores took the lion's share of the CD player market in 1984, price drops have tempted both Wal-Mart and K mart to test the category in a number of outlets.

By Christmas 1985 industry watchers expect retail prices for some models to drop to under $175. Razor thin margins at that price point, however, might limit retailers' current enthusiasm.

While CD players basked in the limelight, rack stereo sales quietly doubled in 1984, jumping from under a half million units in 1983 to over one million last year. Dollar volume leaped 150%. Sales in 1985 should increase another 20% over last year's record.

After posting a 23% increase in 1982, boom box sales leveled off last year, gaining a modest 6%. For 1985 volume is expected to show an equal increase to 28.7 million units, up from 26.9 million in 1984. Portable headset player sales will hold even at about 19 million units.

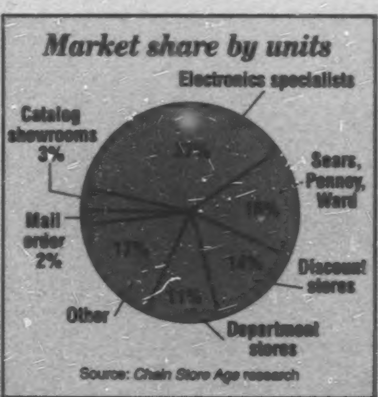
Telephone sales grew 31% to 22.6 million units in 1984, but the increase still found the category performing below plan for many retailers. K mart telephone sales were up 15%, considerably below its original 25% forecast.

Computers proved the year's biggest disappointment, with sales for home machines actually dropping 4%. Software volume, however, turned in its first $1 billion year (see related story).

As the pace of electronics sales slows in 1985, manufacturers are looking to grow by entering new markets. Sony is conducting tests with Wal-Mart-operated Sam's Price Club and Denver-based wholesale club Pace Co. Sony also introduced its first line specifically designed for the mass market at January CES. Emerson and Sanyo, on the other hand, have expanded their lines at the high end to tap both A-V specialists and department stores. ☐

Boom box sales leveled off, gaining a modest 6% last year.

Market share by units



Source: *Chain Store Age* research

Productivity breakdown

	[illegible] stores	Big 3	[illegible] variety
Sales per square foot	[illegible]	[illegible]	[illegible]
Annual turnover	3.4	3.5	2.3
Gross margin	[illegible]	[illegible]	[illegible]

Source: *Chain Store Age* research

Growth areas

- VCRs
- Blank VCR tape
- Compact disc players
- [illegible]

SALES: $33.7 BILLION

A growing group of consumers is buying comfortable outdoor furniture.

High-end barbecues catch on

Retailers see growth in lawn and garden departments, particularly gas grills and mesh furniture.

Lawn and garden departments are reaping the benefits of product lines that appeal to a growing group of consumers who enjoy outdoor cooking and value comfortable outdoor furniture.

Retailers see these preferences expressed by the 24-to-44 age group in strong overall growth in lawn and garden department sales, especially in gas grills, covered charcoal grills, and wire mesh (or grid pattern) furniture. These shoppers are willing to spend more on products that meet their requirements.

During 1984, average growth in sales was 18%, with the same results projected for this year. Department stores see some of their customers shopping for $300 gas grills in discount stores because the same brands are offered for less.

Discount stores, recognizing that higher-end merchandise now fits in more comfortably with their lawn and garden mix, are moving up in price points, without having yet found the ceiling on how high they can go in quality and price.

Angelo Bianco, vp/hard lines for Jamesway, says the chain has been moving up in $40 to $50 increments to higher ticket items in barbecues for the past several years. Barbecue sales continue to be "sensational," says Bianco, as are sales of wire chairs. Web furniture is more stable, and redwood has slowed, but the wisdom of the chain's decision to skew the department's mix toward lifestyle products and away from garden products has been proven.

Despite less space for garden products, they continue to perform very well, as lawnmowers and garden tools post good gains. The electronic bug killers that proved so popular last year are off to a slower start in 1985, but as Bianco points out, the buying season for that product arrives with Father's Day.

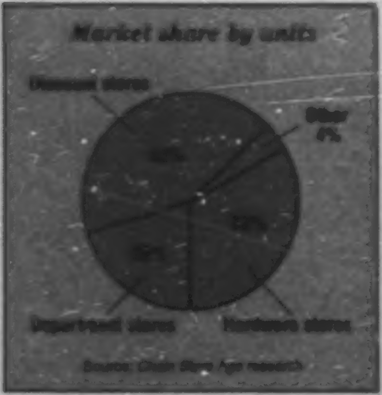
Zayre continues to add higher ticket grills to its mix and is enjoying great success—particularly with gas grills. Patio furniture sales have been good, but some styles in the mix are "marginally off our sales plan," says Nils Pederson, merchandise manager/lawn and garden. However, wire mesh furniture is producing significantly increased sales on top of similar increases from the previous year.

Pederson says garden products have been strong, especially hoses and sprinklers. Electronic bug killers are posting moderate growth over last year.

A spokesman for the Barbecue Industry Association says barbecue sales continue to post solid gains because of the value consumers place on the taste of barbecued food and their enjoyment of cooking outside.

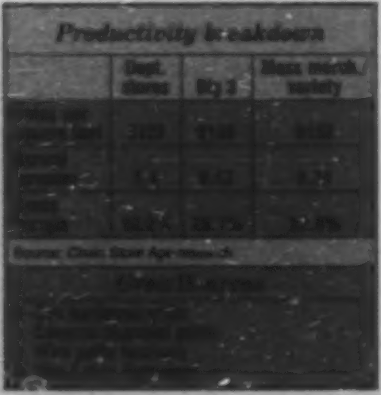
This consumer group also wants the cooking experience to be convenient, thus the popularity of more upscale barbecues, easy-cleaning features, labor saving accessories, and greater use of the barbecue for everyday cooking.

With the emphasis on taste, the industry is having trouble keeping up with the demand for wood chips and chunks that add flavoring to meat. The current favorite is mesquite. ☐



Market share by units

Source: Chain Store Age research



Productivity breakdown

	Dept. stores	Big 3	Mass merch./ variety
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]

Source: Chain Store Age research

SALES: $10.9 BILLION

KODAK
Cameras

Low-end cameras and accessories remain problematic for mass marketers.

Photo sales good, margins tight

Competition among all levels of retailing for photo business has meant strong sales, but at low prices.

The most pressing question facing general merchandise retailers who remain committed to photo/camera is this: Are there profits enough to satisfy any but low-margin oriented stores?

There is certainly plenty of action in photo/camera, if "action" can be defined as sales. Consider this. Retailers sold some 2.9 million autofocus cameras last year. But 44% of mass market stores averaged less than 15% profit margins on the autofocus, according to a *Chain Store Age* survey of buyers.

Or consider this. Dollar volume on photoprocessing increased 8% to $3.6 billion, but the cost of doing business in the category rose. More than half of all buyers said they spent more money last year promoting photofinishing, largely just to hold on to the market share they already own. And increased competition from supermarkets and drug stores drove down the average price of a print 10% relative to the consumer price index.

There is an irony to this new competition which is pressuring margins and pumping up costs for general merchandise chains. Photo/camera is a category driven by technology in which innovations are usually applauded because they boost consumer interest. But such advances often entail making equipment easier to use. That has opened the door to all sorts of competition.

This kind of competition squeezed margins in 1984. A name brand autofocus camera can now be had for under $70, and some off-brand models may go for as low as $50 by this Christmas. Even in photoprocessing, where margins have hovered around 30%, the pressure continues downward.

As supermarkets have grabbed the budget-minded processing customer, mini-labs and the smaller micro-labs are threatening to capture more high-end customers. The enormous success of Kis Photo in this country, despite problems it has had serving its franchises, is testament to the importance of on-site processing. Some 5,000 stores, mostly independents, already have labs on premise. Wal-Mart and Sears are among the major chains looking at these systems, and K mart has labs in some 30 stores.

New technology may also breathe some life into the once explosive SLR category. Minolta's new autofocus SLR, the Maxxum, which contains a focusing mechanism in the body of the camera, is the category's most talked about new product.

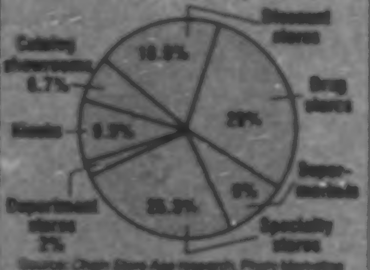
Last year, for the first time, sales of point and shoot 35mm cameras surpassed sales of SLRs. Perhaps the Maxxum will change that. Minolta thinks the camera will capture 5% to 10% of the market its first year.

Initial reports suggest that the camera is moving at least that fast, although some complain of trouble getting sufficient product. K mart is hoping for a big order to meet anticipated fourth quarter demand, but recent spot checks of K mart stores around the country have found shortages. Montgomery Ward's best photo stores were initially allotted only a few pieces each and some stores quickly sold out.

While the Maxxum may revitalize the high-end of the mass market, the low-end remains problematic. Kodak's disc camera has had something of a revival, selling better than anticipated in the fourth quarter. However, the disc has only taken sales away from other cartridge cameras like the 110 and the 126 but has not expanded the entire market for cartridge cameras.

Last year also saw the first surge in sales of telescopes and binoculars in anticipation of Halley's Comet. Nearly 8 of 10 mass market photo buyers said their telescope sales increased at least 10%. ☐

Market share by units



Source: Chain Store Age research, Photo Marketing Association and Wolfman Report.

Productivity breakdown

	Dept. stores	Big 3	Mass merch./ variety
Sales per square foot	$240	$330	[illegible]
Annual turnover	2.2	3.7	3.84
Gross margin	21.0%	22%	16.1%

Source: Chain Store Age research

Growth areas

- Autofocus cameras
- 35mm film
- On-site processing

SALES: $4 BILLION

Industry insiders are speculating about the future of the home computer market.

Heady predictions, hard realities

In troubled home computers, general merchandisers are losing market share to specialty stores.

When Stephen Wozniak left his day-to-day responsibilities at Apple Computer in February, the company's co-founder publicly questioned the future of the home computer market.

"Everybody I know who wants one already has one," he said.

For many, the computer wunderkind summed up the state of the industry. Sales in 1984 for home computers dipped 4% to 4.6 million units and were far below the heady seven million predicted by the industry only a year before.

In the wake of overprediction, overstoring and excess capacity, the number of computer manufacturers fell from more than 200 in 1983 to 150 at the end of 1984. Major software publishers dropped from 200 to 50. Almost 600 computer retailers either closed their doors or were acquired by larger chains.

Sears halted the expansion of its Business Systems stores, and Apple stopped a test of its products in conventional Sears stores. As 1984 progressed, mass merchants were left with fewer products to sell.

Coleco's ADAM died a quiet death after Christmas. The more surprising announcement came this year in March when IBM announced it was stopping production of the PCjr. In a Christmas selling season where computers took a beating, price reductions had made the PCjr the one shining star. The problem for IBM was that the price drops decreased Big Blue's margins to unacceptable levels.

The PCjr had more than its share of critics right from the start. But IBM products, in the view of many in the industry, have often succeeded more because of brilliant marketing than technical prowess. IBM's withdrawal raised questions as to whether anyone could be successful in the market.

Jack Tramiel, who led Commodore to a 60% share of the home computer market, thought otherwise. Tramiel took Atari off Warner's hands and now hopes to do for his former competitor what he did for Commodore. In January of this year he announced a Macintosh-like ST line for Atari at under $1,000.

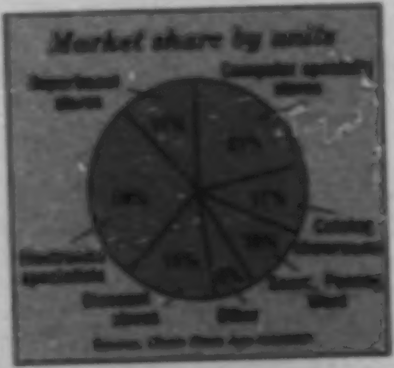
First, Tramiel announced that the ST would ship in April. Then at COMDEX he moved the date back to August and denied he had ever promised spring delivery. At Winter CES Tramiel announced the machine would sell in mass market outlets. Now it seems destined for computer specialty stores.

Commodore, meanwhile, hopes to re-enter the specialty store marketplace with its Amiga line but is plagued by legal challenges which continue to push back its introduction. Commodore's new mass market machine, the 128, will have to shoulder the burden of bringing the company back into the black.

With general merchandisers losing market share to computer specialty stores (gm'ers lost approximately 10% of the market in 1984), industry analysts are beginning to doubt if the 128 will do the trick. Increasingly, there is speculation that there actually might not be a market for a home computer.

Amid the pessimism, computer software turned in its first $1 billion year in 1984. Unit sales increased nearly 30%. With computers already installed in 12% of U.S. households, the software industry is less dependent upon growth in hardware for continued success.

Similar to the pattern in hardware, however, general merchandise chains are losing market share to the computer specialty stores. The specialty outlets have boosted their share of the software market to about 40% in the last year. Sears and Montgomery Ward, on the other hand, have watched their combined share fall by half. ☐



Market share by units

Source: Chain Store Age research

Productivity breakdown

	Dept. Stores	Big 3	Mass merch./variety
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]

Source: Chain Store Age research

Growth areas

[illegible]

SALES: $32.1 BILLION

In 1984, retailers enjoyed a 10.3% gain in nonelectric housewares' sales over '83.

Space-savers, carafes tops in '84

Despite a 10.3% gain in nonelectric housewares' sales, some categories struggled through 1984.

Several new product categories emerged as the stars of the nonelectric housewares category last year. The success of thermal carafes, microwave bakeware and closet items helped retailers enjoy a 10.3% gain in nonelectric housewares sales over 1983. Sales hit $32.1 billion.

Nonelectric products, according to research from the National Housewares Manufacturers Association, continue to account for two-thirds of total housewares volume.

One of the fastest-growing segments last year was thermal carafes. Chains ranging from Bloomingdale's to Montgomery Ward rushed to set up thermal carafe departments in order to meet the consumer's demand for these items, which keep hot drinks warm all day. By most estimates, this category grew from a zero base in 1981 to a total market of between $25 million and $30 million in 1984.

The best news, according to Montgomery Ward's national merchandise manager Rod Hamilton, is that the category is still in its infancy and should generate strong volume during 1985 and 1986.

The outlook is equally good for microwave bakeware. Fueled by consumer demand, microwave bakeware has developed into a $500 million market. Sources at J. C. Penney, Sears and K mart expect future action to stem from the new downsized bakeware designed for the smaller microwave ovens.

The move to downsized items reflects the continuing trend toward better use of space. That move also created a demand for closet and storage accessories during 1984, buyers report. To that end, department stores and discounters created storage/closet shops featuring a wide array of storage products. Sales, buyers estimate, rose 25% last year.

Despite the impressive gains in these classifications, some nonelectric categories struggled through a difficult year.

Domestic cookware volume, for example, sank 5.7%, a victim of imports. At the retail level, cookware volume was only "mediocre," buyers say. The demand, however, is still strong for anything bearing the SilverStone seal.

It was a troubled year in the tea kettle and cutlery business as spoiled shoppers came to look for these items only on sale.

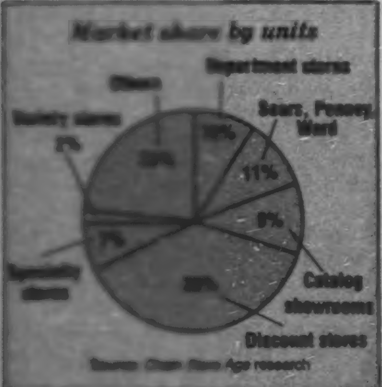
Although tea kettle sales soared, margins suffered. Many pointed the finger at Macy's, which overbought the category and bailed out by slashing prices below cost, causing others to follow. For the future, retailers hope to restore some profitability by trading up to the new European-inspired kettles. Woodward and Lothrop, Shillito-Rike and Gold Circle head the list of chains using this strategy.

K mart's senior buyer Donald Bratt plans to maintain margins in tea kettles with decorated kettles at an everyday low prices of $12.97 and up. The key to success with the decorated products, he adds, is to rotate the stock frequently and feature new models every three to four months.

In cutlery, retailers from L. S. Ayres, Marshall Field's and Murphy's hope to retrieve gross margins by featuring more special events and gift-with-purchase promotions.

This is being done, sources explain, to bring margins back in the 40% to 50% range. Margins have been slashed due to rampant price cutting up to 60% and retailers demand that it is "time something is done to restore profits." □

Market share by units



Source: Chain Store Age research

Productivity breakdown

	Dept. stores	Big 3	Mass merch./ variety
Sales per square foot	$134	$120	$110
Annual turnover	2.5	2.2	2.9
Gross margin	49%	32%	30%

Source: *Chain Store Age* research

Growth areas

- Thermal servers
- Microwave bakeware
- Summer seasonals
- Storage items

SALES: $17.3 BILLION

New electronic gadgetry ignited volume in many categories last year.

Innovations put a charge in sales

Retailers welcome technological advances which inspire consumers to replace outmoded appliances.

A crop of new high technology electrics is charging up sales in the electrics segment of the housewares category. These new executions of standard appliances contributed to last year's 10.2% climb in sales to $17.3 billion.

Retailers welcome the introduction of electronic wizardry because it offers them the chance to boost unit movement by inspiring consumers to replace outmoded appliances. According to the National Housewares Manufacturers Association, a great deal of last year's growth was generated by increased unit movement. Two-thirds of all manufacturers did not activate a price increase during 1984.

Last year was dynamic for under-the-cabinet appliances. "We were finally able to get enough product to meet demand," explains K mart's senior buyer of small appliances Dennis Dorn.

Dorn suggests that these items have now become a "staple" for housewares. During 1984, retailers sold about 2 million under-the-cabinet coffeemakers and further proof that under-the-cabinet is here to stay is provided by retailers such as J. C. Penney who have debuted private label under-the-cabinet offerings.

Yet there are rumblings that the under-the-cabinet market is saturated. Retailers complain that manufacturers have pushed the trend a bit too far by "putting virtually every product under the cabinet." At best, sources believe under-the-cabinet products will settle in at a 10% to 15% total share.

The next phase in appliances, according to Dorn, is rechargeables. K mart, he adds, is "looking at rechargeables" and testing Black & Decker's HandyMixer. "The success depends on the manufacturers' willingness to spend on advertising."

Others, such as Montgomery Ward's Rod Hamilton and Caldor's Bob LeBrun, say it will take more than advertising. "The products will move if there is a genuine need for the item to be cordless," explains Hamilton. Adds LeBrun, "We're watching to see just what happens with rechargeables."

Black & Decker and Sunbeam head the brigade into the cordless business and, naturally, expect it to be "gangbusters." Ken Homa, vp marketing for Black & Decker, envisions cordless products eventually accounting for as much as $500 million in annual sales.

Other categories where electronic gadgetry ignited volume last year were irons, travel appliances and vacuums. Smart irons—those capable of turning themselves off—and cordless irons notched a 20% sales increase to 12 million units.

New technologies allowed vendors to shrink electrical components and travel appliances more compact.

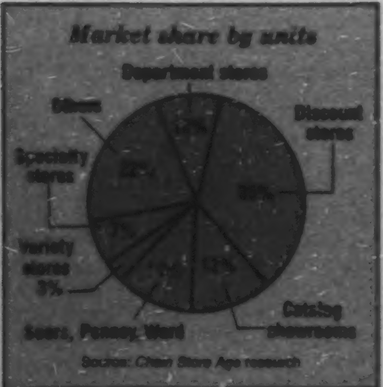
"Travel sales are skyrocketing," confirms Dorn. "We have good results with Franzus and Sanyei."

The news that Gillette will soon be marketing the Braun men's shavers in the United States is welcome news to retailers and vendors who say the introduction of this shaver will help persuade more men to try "dry" shaving.

Finally, microwave oven sales show no signs of declining and retailers are adding more sku's to their mix.

During 1984, microwaves were the fastest-selling home appliance. Sales rose 54% to a total of 9.1 million units. More than 40% of today's homes have a microwave and industry projections place that figures as high as 65% to 70% by 1990. ☐

Market share by units



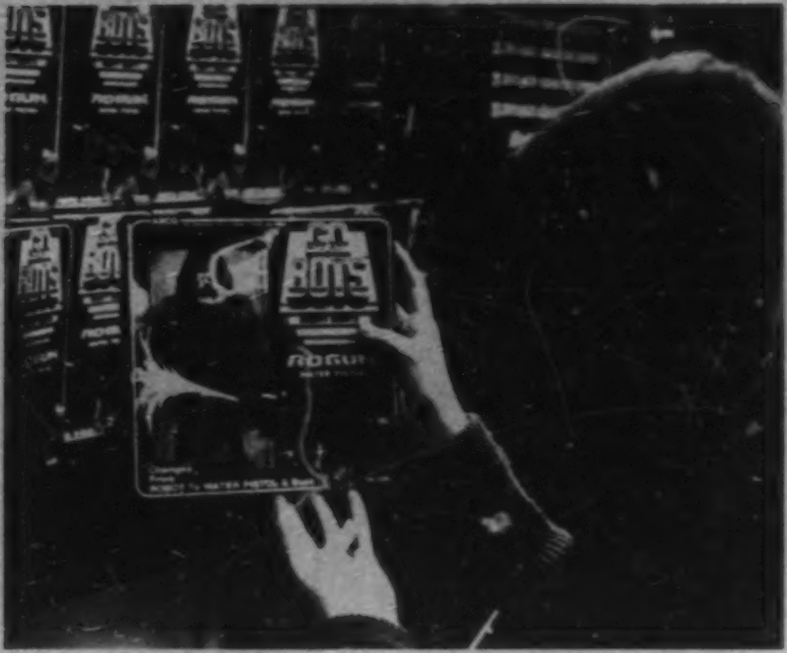
Source: Chain Store Age research

Productivity breakdown

	Dept. stores	Big 3	[illegible] Variety
Sales per square foot	$125	$115	$112
[illegible] turnover	2.2	2.6	3.4
Gross margin	[illegible]	[illegible]	[illegible]

Source: Chain Store Age research

Growth [illegible]



GoBots was one of several top licenses to receive strong votes from buyers.

Licensing not so risky business

Faced with a bevy of potential winners, and wary of new properties, buyers are consolidating choices.

Who says licensing is a risky business?

In the nine months that *Chain Store Age* has tracked the hottest licensed properties in the toy industry, the same five licenses have dominated sales. At times, especially during the fourth quarter, *CSA*'s poll of toy buyers from the 100 largest general merchandise chains produced nearly unqualified support for the top five properties: Cabbage Patch, Transformers, GoBots, Masters of the Universe and Rainbow Brite.

That kind of consensus should not be surprising. It represents the inevitable reaction of buyers against the dizzying proliferation of licensed properties over the last several years. Faced with a bulging portfolio of potential winners, and wary of the risks associated with big losers like Orphan Annie, buyers have consolidated their businesses and are supporting fewer new properties.

Toy buyers are making big statements in just two or three new licensees and filling out their mix with holdovers from previous years. Buyers of categories in which licensing is of secondary importance—stationery, domestics—have turned even more cautious. They are generally following the lead of toy and apparel buyers but focusing even more on established licenses because it takes time for a successful property to begin influencing these categories.

This is not to say that all of the risk, or all of the excitement, have been taken out of licensing. Picking the one or two potential winners, and avoiding the big losers, is still a challenging job, as *Chain Store Age*'s research shows. A *CSA* poll of toy buyers conducted shortly after Toy Fair found buyers divided about which new licenses would prove this year's winners. Voltron, Princess of Power, Wuzzles and Hugga Bunch all garnered mentions, but no license was chosen by more than 25% of the polls' respondents.

Transformers still top license

Showing most growth:	[illegible]
1. Transformers (1)	1. A Team (2)
2. GoBots (2)	2. Star Wars Jedi (1)
3. Cabbage Patch (4)	3. Strawberry Shortcake (3)
4. Rainbow Brite (5)	4. Knight Rider (4)
5. Masters of the Universe (3)	5. Get Along Gang (5)

*Based on April sales. Numbers in parentheses indicate position in previous poll.

Source: Chain Store Age research

Nearly as important as picking this year's big license is understanding which of last year's hits will prove holdovers and which will fade by the key Christmas season. Cabbage Patch's sales remain strong, according to *CSA* research, but a survey of merchandise managers done earlier this year found few believing Cabbage Patch would maintain its staying power through this Christmas.

Similarly, Masters of the Universe slipped to fifth on the *CSA* poll of fastest growing properties during the spring and disappeared completely from the ballots of some toy buyers. On some ballots the license was replaced by Care Bears, which made a run at fifth place following release of the movie featuring the American Greetings characters.

Although characters represent most of the excitement and profit in licensing today, they are clearly not the entire story. Corporate licensing, the practice of placing well-known company names or symbols on appropriate merchandise, already accounts for about 15% of sales in the category and may do 25% of its volume within several years. The introduction of Coca-Cola sportswear and Tony The Tiger's debut as a licensed property should fuel growth here.

The energy and potential of the licensing business is apparent from the diversity of products and properties which have been blended together to form winning combinations. Forever Krystle, a fragrance based on the hit television series Dynasty, proved the biggest selling mass market fragrance last Christmas. Carrington, a men's fragrance based on the same series, is due out this year.

And finally, proving that just about anything, including national monuments and celestial phenomenon, can be licensed, several entrepreneurs have produced copyrighted designs on the Statue of Liberty and Halley's Comet. Their plans: to produce everything from T-shirts and glassware to baseball caps and beach towels commemorating the Statue's 100th birthday and the return of the comet. ☐

HOSIERY

SALES: $5.4 BILLION

Growth activity is apparent in women's hosiery and also children's socks' sales.

Hosiery sales enjoy a good turn out

Private label is capturing a good deal of the hosiery business at discounters and department stores.

The arrival of pantyhose with pizzazz helped retailers ring up a 12% increase in hosiery sales during 1984. Bright colors, lace and patterns—all priced higher than standard hose—were the designs buyers picked as the catalysts to push category sales to a new high of $5.4 billion.

According to the National Association of Hosiery Manufacturers, 1984 domestic hosiery shipments exceeded last year's total by 1.2 million dozen pairs for a total of over 308 million.

An increase in imported hosiery cut into the domestic business with total hosiery imports jumping 61% in 1983 and another 66% in 1984. According to NAHM president and ceo Sid Smith, imports "took away some of the exuberance from an otherwise good year."

For retailers it was certainly a banner year for the category. Many rushed to tap into the flurry of sales of trendy hose by creating fashion boutiques. This ploy was even used at the discount level by chains including Richway, Gold Circle and K mart.

Another prevalent trend last year was the expansion of private label hosiery programs. Richway instituted a new private label program displayed in a larger department called Leg Views. Gold Circle also improved its selection and company officials estimate that private label accounts for better than 60% of sheer hosiery sales.

At Federated's MainStreet stores in Chicago, the company's own label receives prime display space and is currently outselling national names.

With the introduction of more fashion into the pantyhose segment of the market, department store retailers also noticed a surge in shopping activity at their stores.

"Women who had been turning to one-stop shopping because it was more convenient to buy hose at a food store are now coming back to us because we have the fashion," explains a dmm from Foley's.

The growth activity was not only in women's hosiery (which accounts for more than half of all sales) but in infants' children's and footsocks' sales.

According to buyers, infants' and children's sales in sizes 3 to 8½ are enjoying the results of the baby boomlet. This category, according to the NAHM, showed a 0.5% gain in shipments and a 10% jump in volume. This same trend created a renewed demand for footsocks for infants and children and those shipments rose 35.5%.

For 1985, retailers expect to see more volume in color hose. Bright colors, however, will not be the fashion cue for 1985.

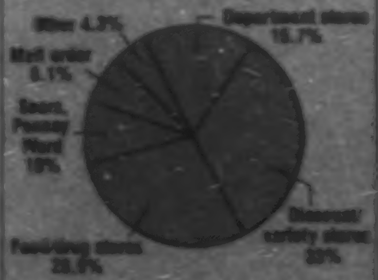
"We expect to see more neutral tones and sophisticated black, gray and beige," reports a buyer for Troy, Mich.-based K mart.

Others expect more activity out of the Lycra segment of the market. Lycra, most admit, has yet to be exploited at the retail level. Currently, retailers such as L. S. Ayres and Neiman Marcus are spearheading programs to teach salesclerks about Lycra, a move which should spur sales of Lycra hose.

The trading up that took place in the department store hosiery business last year is evident by the improved gross margins. In 1983, department stores reaped gross margins of 46.8% vs. 1984's 48%.

Margins were down slightly, however, at the Big 3 and discounters who had to become more promotional to maintain business. ☐

Market share by units



Source: Chain Store Age research

Productivity breakdown

	Dept. stores	Big 3	Mass merch./ variety
Sales per square foot	[illegible]	[illegible]	[illegible]
Stock turnover	[illegible]	[illegible]	4.2
Gross margin	[illegible]	[illegible]	[illegible]

Source: Chain Store Age research

Growth areas

- Neutral colors
- Lycra pantyhose
- [illegible]

SALES: $12.1 BILLION

Sales will be spread over a broader number of toy categories this year.

Back to the Cabbage Patch

In addition to sizzling sales of Cabbage Patch Kids and action figures, games and plush were also hot.

Last year, just a few products dominated the toy business: Cabbage Patch Kids, Trivial Pursuit, action figures (mainly Masters of the Universe) and robotics (especially Transformers). The first two are losing some sales sizzle in 1985, while the latter categories will likely continue their robust sales story to the end of the year.

Robotics, overall, was the No. 1 selling category last year, and appears to be the clear winner for '85. But no single item has appeared yet that evokes memories of last year's Cabbage Patch riots.

Because these categories were exceptionally strong, sales increased dramatically—up 20% to $12.1 billion. Units increased 14%-15%, but gross margins were depressed as many toy items sold at promotional prices. In addition, many merchants wound up overstocked in what is normally the profitable fourth quarter.

There were a few strong categories other than the heavily publicized ones. Overall, toy and game sales rose 103%, infants and preschool toy sales were up 41%, and plush toys gained 51%. The only disappointment was electronic games and video software, down 54%.

Most retailers are hopeful that margins will improve this year, although business is still very promotional. "We'll be as promotional in '85 as '84," says George Colgan, senior toy buyer for K mart. "It will still be a level that has profitability left in it."

"Some very big chunks of business in '84 were very low margin," says Paul Starkey, toy buyer for Dayton Hudson Department Stores. "In robotics, for example, it was across the board." Starkey predicts robotics will become like Barbie, where "you give the doll away and sell the clothes." Of the 50-60 robotics sku's his stores carry, Starkey believes only 10-20 will be very visible, and thus subject to promotion, while the margin can be moved up on the rest.

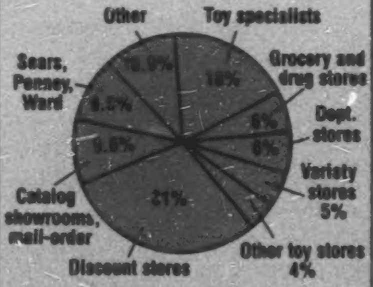
Sales will be spread across a greater number of categories this year. Dolls might make something of a comeback with My Buddy and Real Babies, especially if Cabbage Patch sales slow. Some business is still anticipated for CPK dolls. "Coleco has done a better job of filling the market with goods," says Stanley Walsh, dmm at Child World. "Retailers are selling out in four-five days instead of one. But we're far from pronouncing it dead."

The only area in robotics where GoBots have out-performed Transformers is in small, Hot Wheel-sized vehicles, says Rick Hans, toy buyer for Sanger Harris. Transformers have led the category mainly because product was out there. "Hasbro opened up shipments of Transformers in the early spring at the same time GoBots was cutting back. Tonka let Hasbro get the jump on them," adds Child World's Walsh.

Voltron also looks good to retailers because it combines the robotic theme with fantasy action figures and vehicles. In areas where the Voltron series is on TV, the items are blowing off shelves.

One late bloomer in '85 could be animated figures. While no one has yet said, "I have seen the future of toy retailing and his name is Teddy Ruxpin," retailers who have seen Worlds of Wonder's initial entry into this category have great expectations. Another ex-Atari staffer, Nolan Bushnell, also has entries into the category with Axalon. ☐

Market share by units



Source: The NPD Group 1984, Toy Market Index

Productivity breakdown

	Dept. stores	Big 3	Mass merch./ variety
Sales per square foot	$86	$97	$111
Annual turnover	2.6	2.9	3.5
Gross margin	30.9%	32.6%	28.1%

Source: *Chain Store Age* research

Growth areas

- Action figures and playsets
- Robotics
- Licensed and generic plush
- Increased play value toys

SPORTING GOODS

SALES: $14.9 BILLION

Rowing machines still sell predominantly to men, says one buyer.

Saturated market may hurt sales

A bright spot in sporting goods sales is home exercise equipment, which continues to grow.

Everyone expected 1984 to be a gangbuster year in sporting goods after the extremely strong year in 1983. But the sales increase of 10.9% was somewhat disappointing after 1983's 13.8% increase.

Howard Bruns, president of the Sporting Goods Manufacturers Association, predicts 1985 will be only a fair year, not a great one, with real growth only in the 4%-5% range.

Last year was not without some bright spots, however. One was home exercise equipment, which continues to grow at a 20% rate, although overall equipment sales are flat. Neither retailers nor manufacturers expect that growth can continue much longer at that rate. Most of the consumers who buy equipment already have some type of home exercise unit. More importantly, there is no fad item that will sell at the rate of 1982's jogging trampoline, notes Ron Sigal, sporting goods buyer for Dayton Hudson.

At one East Coast discount chain, a buyer describes '84 as "excellent in almost every item, which doesn't look like it will happen in '85 with the market so saturated." The discounter's biggest standout was DP's BodyTone 300 rower/gym, but he adds that the rower's '85 volume had dropped off tremendously. Even though there is still a market for combination rowers, lower-priced import knockoffs are stealing DP's thunder.

Rowing machines are still selling to men, says John Lehman, exercise equipment buyer for The Broadway in Los Angeles, but just didn't catch on as well with women. The Broadway even tried rowers in "fashion" colors like red and white to appeal to women, but sales to women just didn't equal those to men.

Lehman, however, sees exercise bikes appealing more to women. And overall bike sales are expected to increase as bikes, along with other exercise equipment, go high-tech or upscale. "The basic exercise bike is being replaced by the flywheel bike," says Lehman. Previously, The Broadway sold bikes priced about $49. Today, the range is $130-$300.

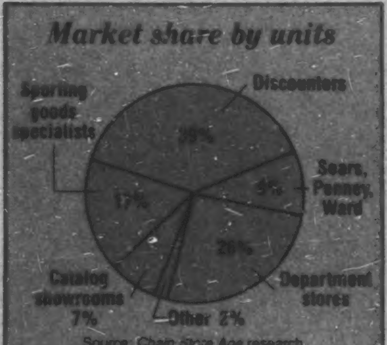
Dayton Hudson's Sigal also sees the trend toward better equipment. Sigal believes people are buying exercise equipment for quality, for a look, and for what fits into their homes.

The introduction of Nautilus for the home fits into this whole upscale equipment category, but will not dominate the category. One reason is Nautilus' limited market—the company refuses to sell to discounters. Another is Nautilus prices—each piece averages $500 and only exercises one or two muscle groups. The third reason is a full Nautilus system doesn't fit into most homes, offices or condos—the Big 3 for home equipment sales.

"What you'll see with The Broadway and a lot of other department stores is a select, upscale group of equipment," says Lehman. He defines that as exercise bikes, rowers and multi gyms—those items that appeal to the masses. "We don't want to be sporting goods experts," explains Lehman. Like many other department stores today, The Broadway no longer has a full sporting goods department. Equipment is sold in a shop called Body Focus, which is situated adjacent to housewares, men's wear or hosiery.

Bowling should see some slight sales gains with modernized lanes and a new appeal to younger customers. Demographics continue to favor increased golf participation, particularly in the Sunbelt states with large retiree populations. ☐

Market share by units



Source: Chain Store Age research

Productivity breakdown

	Dept. stores	Big 3	Mass merch./ variety
Sales per square foot	$74	$98	$116
Annual turnover	2.8	3.2	2.4
Gross margin	34.6%	33.5%	26.7%

Source: Chain Store Age research

Growth areas

- Upscale home equipment
- Exercise bikes
- Golf

SALES: $48.5 BILLION

Women's wear should grow this year, partly as a reaction to the men's wear trend.

New styles show off fit shapes

New-old 'stirrup' pants, more feminine career apparel and knits are fashion forward for '85.

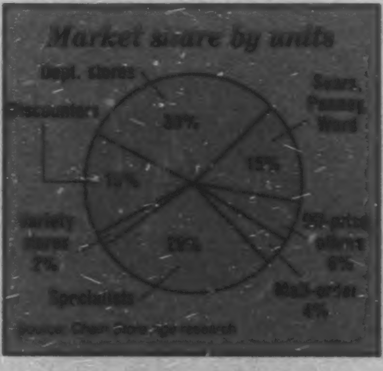
The androgynous men's wear look touted for '84 didn't produce expected sales results. In fact, Karen Bohnhoff, vp/trend merchandising at Dayton Hudson Department Stores, terms androgyny "the worst. It was not flattering, far too masculine—no color combined with essentially no style," she adds. In short, nothing to catch a woman's fancy.

This year, women's wear sales should be up, partly as a reaction to 1984's men's wear trend and flat unit increases. The new looks are much more feminine and show off the body, counteracting the big, shapeless styles of men's wear.

"Men's wear was not as big as expected," says Lucille Klein, fashion director for Sanger Harris. "People overreacted," she feels, and made men's wear the focal point of women's wear departments, rather than a fashion option. As a result, women were turned off.

For '85, she sees silhouettes moving back to the body. "American women have spent a lot of time and energy keeping their bodies in shape," says Klein. The new designs aim to show off good bodies, particularly with knits.

Also impacting on women's wear, mainly in juniors but also with trendy misses, is pop singer Madonna. Her tarty style has done more for knits, lace and accessories, not to mention long-line bras, than any store mannequin. "Cyndi Lauper and Madonna were enormous influences on prom dresses in '85," says Klein. Lauper's second-hand rose put-togethers also helped revive color and spark print interest.



Market share by units

Source: Chain Store Age research

Productivity breakdown

	Dept. stores	Big 3	Mass merch variety
Sales per square foot	[illegible]	[illegible]	[illegible]
Stock turnover	[illegible]	[illegible]	[illegible]
Gross margin	[illegible]	[illegible]	[illegible]

Source: Chain Store Age research

Growth areas

- Madonna-influenced styles
- Knits
- [illegible]
- [illegible]

Making a comeback in this back-to-the body movement are ski pants, last seen in the 60's and now called stirrup pants. These slim knit pants are usually paired with oversized sweaters. Particularly successful among sweaters last year were shaker knits, which could be found at discounters on up to department stores. The look appears to still be strong, at least at the lower end. "I don't think we scratched the surface yet," says the buyer for an East Coast discount chain, of shaker knits.

Discounters are also doing well with knits in bottoms. The East Coast discounter "got on the bandwagon with stirrups and harem pants paired with oversized tops" and is looking to pursue it further for fall. Madonna-influenced styles, like lace leggings and tanks, have also sold well for the chain, which is anxiously awaiting shipments of halter turtlenecks and miniskirts.

Femininity is making an impact in career apparel also, partly as a reaction to the men's wear look that dominated corporate suits. "Dresses say 'I am female,'" says Sanger Harris' Klein. In addition, women are feeling freer to move away from the strict structured suit. "As women become more secure in the boardroom, they become more adventurous in their dress," she adds.

While suits are selling, they are most likely to resemble the unmatched suits introduced by Ann Klein II in '84, says Dayton Hudson's Bohnhoff. She also sees more sales coming from accent jackets alone, in unconstructed styles.

Skirts are longer and leaner, and the longer skirt is even cropping up in discounters. But here the market hasn't been quick enough to give the public what it wants. The East Coast discounter notes that the few styles she had "really flew out of the junior department."

Shorts did very well in '84, and shorts and rompers continue to be sales leaders this year, along with camp shirts. Retailers aren't sure whether consumer response has been motivated by warmer than usual weather or by an abundance of short length options.

Novelty denims have been losing ground although Girbaud-type baggies set the pace in '84. This year may see the reappearance of the lean jean and the classic five-pocket jean. ☐

HEALTH & BEAUTY AIDS

SALES: $18.1 BILLION

Overall sales in the fragrance category climbed 11% in 1984.

Giorgio boosts fragrance sales

Hot fragrances like Giorgio, Opium, Aramis and Polo increased sales in last minute Christmas shopping.

A handful of new fragrances helped spark cosmetics/H&BA sales in major department and discount stores during 1984. Overall, sales in the category climbed 11% to $18.1 billion.

The most dramatic product launch in department stores was Giorgio of Beverly Hills. Sources at Rich's, Macy's and Bloomingdale's peg Giorgio (with an opening price point of $45) as the hottest fragrance in stock last year. In fact, Giorgio often accounted for as much as 45% of total Christmas volume at the stores lucky enough to have the scent.

"Without Giorgio," says Rich's cosmetics merchandise manager Emanuel Roth, "sales would have only increased 4% instead of 52% last Christmas."

Other top scents at leading department stores such as Rich's and Macy's included: Oscar de la Renta, Opium, Chloé, Lauren, White Linen, Chanel, Guerlain, Aramis, Polo, Lagerfeld, Halston, Pour Lui and Royal Copenhagen.

Charles of the Ritz's Forever Krystle and Houbigant's Lutece filled the void for retailers who could not get on Giorgio's distribution list. Bill Thompson, fragrance buyer for Sears, reports Lutece was his best in terms of gross sales and that Forever Krystle (based on the Dynasty character) was tops in sell-through and return on inventory investment.

Gift set sales were somewhat sluggish at department store counters. Sears, however, registered about a 78% sell-through in men's sets and an 88% sell-through in women's sets.

For 1985, retailers are betting on Calvin Klein's new Obsession, already a hot property in some stores. Many are also hoping Forever Krystle's new men's version—Carrington—will perk up men's fragrance volume.

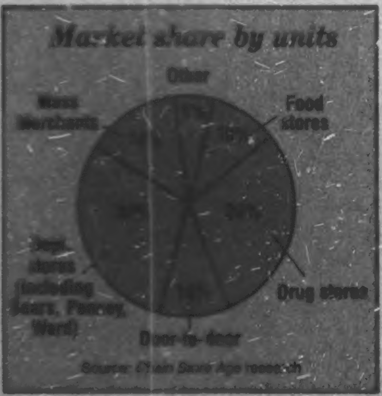
In fragrances, Christmas 1984 was a last minute business. "America went on a three-day shopping spree at the 11th hour before Christmas and probably saved most of us our jobs," quips Richard Meyer of Jovan. For 1985, the situation is even "scarier," says Roth, because there are six fewer shopping days between Thanksgiving and Christmas.

Skin care was a bright spot in the category last year as more women—and some men—searched for methods to help halt the aging process. The emphasis was on therapeutic brands hyping a scientific process. New products on the horizon reflect this concern for aging. Estee Lauder's Line Preventor from Prescriptives and Biotherm's Antirides Solair Anti-Aging Tanning Cream are two cases in point.

With the emphasis on aging, consumers are turning to more sun protectants. During 1984, department store and discount retailers enlarged the offerings of sun care products. Sales grew about 20%.

Another department gaining greater space last year was hair care, especially the new mousse items. During 1984, mousse grew into a $150 million category. Retailers are currently juggling the department to try to find room for the 25-plus mousse entries into the category. Overall shampoo and conditioner sales were flat.

Over-the-counter drugs continued to be a new avenue for discounters to expand their business and become more of a one-stop shopping source. ☐



Market share by units

Source: Chain Store Age research

Productivity breakdown

	Dept. stores	Big 3	Mass merch./variety
[illegible]	$225	[illegible]	$115
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]

Source: Chain Store Age research

[illegible]

SALES: $16 BILLION

In infants' and toddlers' clothing, coordinates remain hot for 1985.

Mini baby boom sells clothes

New mothers are value-conscious shoppers for their children's clothing, yet they will also spend lavishly.

Children's wear had fair but uneven growth last year. Overall, sales were up 2.6%. Infants' and toddlers' performed well while apparel sales for older children remained soft.

Still, retailers are optimistic about older children's clothing sales in 1985. They expect the strong infants' and toddlers' markets to start affecting girls' and boys' apparel sales as these younger children age.

The mini baby boom of the 80's is credited with revitalizing children's wear sales. This year, 3.8 million babies are expected, compared with 3.6 million babies in 1980 and 3.1 million in 1975.

"Births are up but more important is that first births are up," says Mike Searles, president, Kids "R" Us. "The average dollar spent on first-borns is higher."

In infants' and toddlers', coordinates remains "hot" for '85. Additionally, fleece outfits, such as jogging suits and sweat shirts, will garner more attention.

New mothers continue to search out stores that offer value for children's apparel, especially since the youngsters outgrow clothing yearly. Industry sources note a continued increase in the off-price business, as well as in the discounters' and Big-3 catalog chains', as a result.

Department stores, on the other hand, have benefited from the gift business. They have been able to maintain their market share because of the growth in births.

The lavish spending of new mothers continues into older children's apparel. Nonetheless, they remain value-conscious shoppers.

Trends in girls' closely follows those in juniors'. Young girls are more sophisticated and interested in fashion than ever before.

"We're bullish on dresses and shaker sweaters this year," says Robert Parks, children's dmm at The O'Neil Company.

Like other merchants, O'Neil's is counting on the dress business opening up after several tough years. Retailers attributed the soft business to overstocking of dressy dresses and the smaller population of young girls.

Kids "R" Us' president Mike Searles expects girls' suspender pants to grow this year. O'Neil's dmm Robert Parks agrees, but cautions, "Suspender pants are just an item, not the salvation."

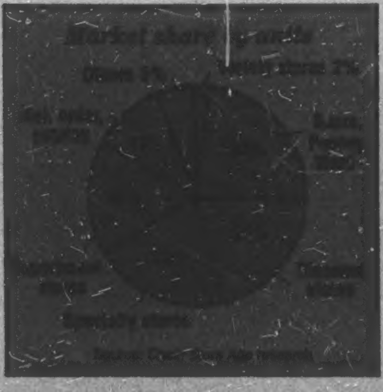
In both girls' and boys', fleece continues to hold opportunities. Playwear dominates sales and licensed properties comprise a big part of the business.

"Playwear, in general, whether it be Osh Kosh or private label, is big business," says O'Neil's dmm Robert Parks. This is a shift in traditional buying patterns where school clothes, by far, outsold playwear.

Last year saw the demise of novelty bottoms, such as parachute pants, and the resurrection of five-pocket jeans for children. Retailers suggest that the novelty looks didn't sell well because of their high-prices. Five-pocket jeans, however, represent value under $15.

Moreover, the five-pocket jean trend triggered interest in denim jackets once again. Retailers predict movement in short, stone-washed and canvas jackets for fall.

Lastly, boys' wear (which some say is the most neglected children's wear category) is receiving more attention these days. Trying to look older, boys are picking up on menswear trends faster. Textured sweaters and shirts and the oversized, drop-shoulder styles will continue to be strong. ☐



MEN'S WEAR

SALES: $23.1 BILLION

Politics influences men's wear

At about the time of Reagan's re-election, men's wear fashions took on a decidedly 'retro,' 1950's look.

"It was a very peculiar year," says Dallas Menswear Mart executive dirctor Rick Lalla. "Nineteen eighty-four was so-so. Sales were allright, but there was a continuing anticipation that things would be better. It led to a little anxiety. First everyone would overbuy, and then they would promote."

Men's wear volume increased 6.2% to $23.1 billion in 1984, but the sales increase came at the expense of margins. For department stores, gross margins fell from an average 43% in 1983 to 38% last year. Discounters held even at 35%, while the catalog chains saw their margins drop from 40% to 35% in 1984.

Strong sales in the early part of the year led many retailers to overbuy for the second half. By midyear, the bottom dropped out of the market, inventories built and price promotion began. So far in 1985, buyers have been more cautious and margins are reported to be growing.

In tailored clothing, the European look held strong throughout much of the year. Double-breasted suits, pleated pants and more shouldered looks dominated 1984 right up to holiday. While the European influence remains strong, it now seems to have peaked with natural shoulders and more comfortable looks making a comeback.

For young men's, bottoms, especially baggy jeans, came on strong early in the year, but just as quickly fizzled. Bright colored, preppy styles are an upward trend in 1985.

Men's sportswear underwent a dramatic change late in the year, and some even attributed the move to the changing political climate. "The retro-1950's look set everything in a new direction," says Joe Cecil, former Marshall Field vp and current co-owner of Chicago-based specialty store Mallards.

"Just about the same time as Reagan's re-election we saw a strong return to 50's nostalgia," says Cecil. Hawaiian shirts, pleated Madras shorts, seersucker bathing shorts and even white buck footware all made a comeback. Also on the uptrend are older, used looks à la Banana Republic fare. "Fun is the operative word," Cecil says.

While sleepwear sales were generally sluggish across the industry, the rest of furnishings posted healthy gains. Both fashion hosiery and fashion underwear saw strong increases and are tagged for major growth potential this year.

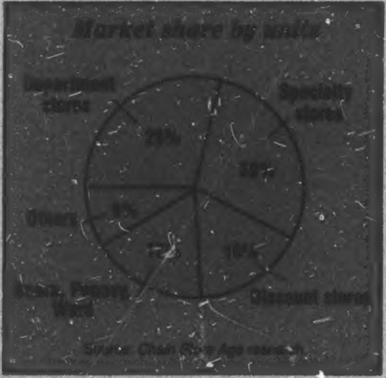
In dress shirts there was a return to basic white, but at the same time a broadening both in color palettes offered by vendors and in consumer interest in the wider color selection. Fitted shirts remained a strong business for department stores.

Ties turned in a good year with yellows, reds and paisleys showing the most growth. The return to narrow neckwear became more apparent with assortments now typically 20% narrows. Seasonals continued a basic department staple.

In all, men's wear in 1984 seemed almost a contradiction. On one hand men seemed to be turning back to basics, while on the other they seemed to be more fashion-forward than ever.

"I don't know if they are the same customer or not," says Sanger Harris divisional vp for clothing and furnishings Mark Quick, "but you can't afford to ignore either trend. Maybe the customer who shops for basics will buy newness and fashion if you present it to him. You have to be in an in-stock position in both areas." ☐

Men's wear volume increased in 1984, but sales came at the expense of margins.


Market share by units

Source: Chain Store Age research

Productivity breakdown

	Dept. stores	Big 3	Mass merch./variety
Sales per square foot	[illegible]	$122	[illegible]
Annual turnover	2.8	3.0	3.6
Gross margin	38%	[illegible]	35%

Source: Chain Store Age research

Growth areas

- Furnishings
- Activewear
- [illegible]

SALES: $4 BILLION

The increase of women in the work force has affected the home sewing business.

Can fashion trends boost sewing?

Retailers hope that new fashion silhouettes will soon translate to increased home sewing sales.

For the fourth consecutive year, sewing sales stagnated at the $4 billion mark. Margins continued to erode while dollars per square foot inched upward for discount and department stores.

However, specialty chains such as Fabri-Centers of America, with 657 stores, and Cloth World, with 303 stores, remained viable, if not lucrative. Margins for the giant retailers hovered around 50%, consistent with previous years' performances.

As a result, more mass merchants cut ties with the category and left the sales to the handful of successful specialty chains and independents. Most recently, Caldor announced it, too, will abandon piece goods to expand its home textiles.

A number of factors affected the sewing business, note industry experts. Fabri-Center's sr. vp Mike Feuer says, "The changing demographics hurt the industry." He pinpoints the increase of women in the work force. McCall Pattern Co.'s publicity manager Mary Marino adds, "It's harder to get the teen market." Simplicity Pattern's sr. vp of marketing Judy Raymond explains, "We are dealing with increased competition for leisure time and the lack of [sewing] education in the school systems."

But despite the hardships of the past few years, retailers say 1985 looks promising. "As the population ages [over 30], our business will improve," says Feuer of Fabri-Centers. He explains that historically the majority of home sewers have been in this age group and that this group will soon represent a large segment of the population.

Suppliers, retailers and sewing associations are all helping to educate the public. They promote the latest innovations for fast and easy sewing to consumers in ads, in-store classes and displays. These include new sewing techniques, fabrics, and the most current programmable sewing machines.

Fashion trends, too, will bolster sales. New silhouettes combined with large-scale prints replace last year's solids and encourage the fashion-conscious to update their wardrobes. However, retailers fear consumers may turn to the racks unless sewing is made more attractive to them.

"This is an enormous financial commitment for consumers," says Raymond of Simplicity. With the wealth of easy-to-sew patterns and broad selection of fabrics, she thinks consumers will supplement shopping sprees by sewing some of their own garments.

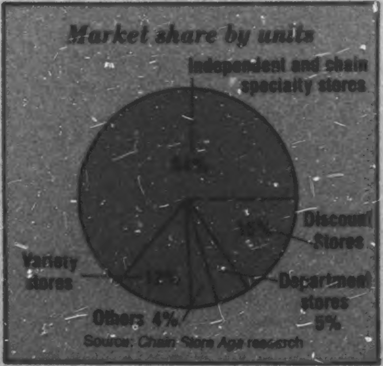
McCall's Marino agrees and adds, "Dresses are a big thing this year." Like other pattern companies, McCall has seen an increase in sales of its designer patterns such as those carrying the Liz Claiborne name. Moreover, retailers note that consumers who buy these designer patterns are more likely to purchase other high-end goods in fabrics and notions.

Additionally, the echo baby boom has sparked some interest in home sewing. Retailers, as well as suppliers, report movement in maternity and infants patterns. "We haven't seen this much activity in years," says Marino.

Another factor influencing the estimated 40 million to 45 million home sewers is the emphasis on home decorating. Consumers are designing rooms using fabrics for a variety of purposes ranging from decorative pillows to wall coverings. The pattern companies have responded by offering full lines of bedspread, curtain, drapery and pillow designs.

Lastly, the increased selection of serger or overlock machines have boosted sewing machine sales. Retailers say consumers like the simplicity and speed in sewing these machines provide. ☐

Market share by units



Source: Chain Store Age research

Productivity breakdown

	Dept. stores	Big 3	Mass merch./ variety
Sales per square foot	$38.9[illegible]	N/A	$58.00
Annual turnover	1.6	N/A	2.6
Gross margin	33.8%	N/A	36.2%

Source: Chain Store Age research

Growth areas

- Dress patterns
- Serger sewing machines
- Home fashions

SALES: $21.5 BILLION

The trend in athletic shoes is toward a less authentic appearance.

Footwear flat, but flats fare well

'Comfort' shoes, and at the other end of the spectrum, higher heels, are projected big sellers for '85.

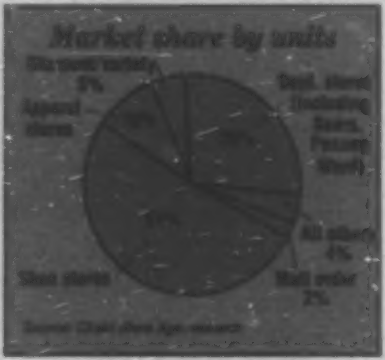
The androgynous look that pervaded women's wear did not help to sell very many pairs of shoes in 1984. (It did not sell much apparel either.) However, flat shoes, including casual and athleisure styles, did well, since many of the styles shown, such as cropped pants, demanded a flatter heel.

Sales were up only slightly, to $21.5 billion, although units increased 7.7%. Imports continue to command a larger share of the footwear market. Domestic production was down 13.3% to 298 million pairs and is continuing to fall this year, according to Janet Porter, manager of statistics services at Footwear Industries of America. Imports were up 24.8% to 726 million pairs and controlled 71.5% of the footwear market in '84. So far this year, imports look to take 76% of market share.

All of this importing helped retailers increase margins slightly. Leather, particularly, was less expensive, and real leather shoes (uppers only) were offered by upscale discounters regularly.

Retailers feel confident that style trends in '85 will lead to more dollars from footwear. Several major footwear chains, from Kinney Shoes to May Co.'s Volume Shoe division, are posting good results for the first part of '85.

"Androgyny is gone, and that was bad for shoes," says Anne Gilliar, fashion director for Volume Footwear Retailers of America. She sees pumps, which were surprisingly strong in 84's year of flats, continuing into '85. In addition, there will be more emphasis on higher heels, which goes along with the new femininity in apparel.



Source: Chain Store Age research

Productivity breakdown

	Dept. stores	Big 3	Mass merch. variety
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]

Source: Chain Store Age research

However, notes Andrea Rosen of the Footwear Council: "Pumps are still selling but women have been pumped to death. There has to be some impetus to get them to buy."

That impetus, retailers feel, is color, which was also lacking during the men's wear trend. The only real color last year was in plastic "jelly" shoes, which were mostly low-end, retailing for as low as $2. Along with color in dress shoes and casuals this year comes more emphasis on fabrics—Hawaiian prints, linens, meshes, wovens, and clear vinyl used as an accent.

Color is also increasingly important in athletic and athleisure shoes. The trend in athletic shoes, including those worn for casual wear, is toward less authentic looks.

The vagaries of the athletic/casual shoe market impacted on the fortunes of several major manufacturers last year. Nike, for one, overanticipated demand for the authentic look and ended up disposing of merchandise through nontraditional outlets, such as discounters. That, in turn, angered Nike's traditional outlets, which were forced to slash prices to remain competitive. This year, they are very wary of Nike goods, with the exception of its Air Jordan line, which is on target with colorful, soft leather high-tops.

Reebok, on the other hand, was in a perfect position last year to reap the rewards of the colorful, less authentic look with its soft leather aerobic shoes, both regular and high-top.

The long-term trend developing out of '84 is a move to "comfort" shoes. These new shoes, says Volume Footwear's Gilliar, will not be as we knew them in the past—not simply another flat or moccasin or athleisure shoe.

New technology is being applied to how shoes are made, Gilliar notes, with the shoe of the future emerging with contoured laths and bottoms. "More interest will be concentrated on what goes into the shoe," she says. Gilliar points to Rockport Casuals as being an example of the new comfort shoe, although Rockport itself is not new. Elements of Rockport's styling, such as jogging soles paired with casual uppers, will be extremely important for both men's and women's casual shoes, she believes. ☐

SALES: $3.8 BILLION

Hobby/crafts hobbling along

More women in the work force, and kids' interest in video games have put a dent in hobby/craft sales.

Woolworth buyer Frank Salvatore blames a changing society for the lack of action in hobby and crafts last year: "In hobby kits we've hit bottom and are just about holding our own." Industrywide sales for hobby/crafts increased a paltry 2.7% to $3.8 billion in 1984.

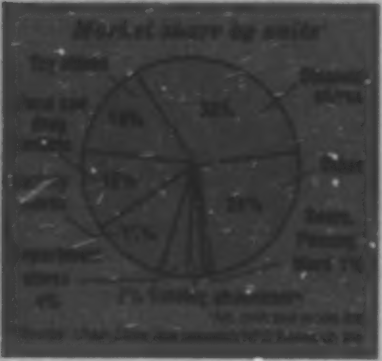
"There's no surge in the hobby department," Salvatore says. "The same thing that's been happening for the last three years happened again last year. GoBots, Transformers and video games have taken away from the hobby area.

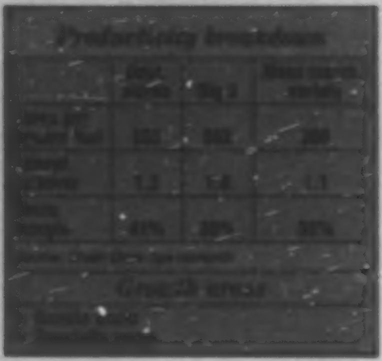
"You have to have patience to put together a kit," adds Salvatore. "Kids today don't concentrate—they want everything as fast as one—two—three."

Upgraded kits, says the Woolworth buyer, continue to sell well to adults, particularly senior citizens but still he would be hard pressed to characterize that part of the business as sizzling. "We concentrate mostly on the low end, and it's just not happening there," Salvatore adds.

The trend in the craft end of the business, however, is good. "Crafts appeal mostly to adults and young girls who are not involved with either video games or Transformers," says Salvatore.

T.G. & Y. Stores, for one, has taken quick action to follow the upward trend in crafts. "I hope other retailers haven't caught onto this




Productivity breakdown

Growth areas

CHARGE AHEAD
with
Chain Store Age
Classified

You're growing; we're growing. Big-store general merchandise retailing is big and getting bigger. It's now a $142 billion industry. Chain Store Age remains the leading publication serving retailing because we continue to bring readers critical information they need for meeting market needs. Use Chain Store Age to help meet your growing needs. Our classified advertising reach and response can help you charge ahead of the competition. Why?

- Chain Store Age is read by more than 25,000 department stores/specialty chain, discount/variety store and major retail executives and managers.
- Chain Store Age reaches retail prospects, there's no waste circulation.
- Chain Store Age's Classified Mart gives you a place to show your company's growth, vitality and commitment to the business. Retailers read Chain Store Age for all the latest on product categories, key shows, statistics, trends . . . and classified retail opportunities.

Reserve space today in the best retailing classified section. Call (212) 371-9400.

Chain Store Age
GENERAL MERCHANDISE TRENDS
425 Park Avenue, New York, NY 10022 Lebhar-Friedman, Inc.

yet," says a T.G. & Y. spokesman. At one test store location, the Oklahoma City-based retailer has devoted fully one-third of its floor space to craft items.

"Our customers went nutty about it," says the T.G. & Y. spokesman. "All they want is more—more—more. We're selling tons of things like pillow lace. You should see those typical little ladies scurrying around the store."

But "those typical little ladies" are getting harder and harder to find in many markets. According to the U.S. Bureau of Labor Statistics, 1984 marked the first year in which over half of women held down jobs outside the home. One of the first casualties in markets with high numbers of working women has been crafts.

"Crafts are not selling, period," says New York-based Lamston's craft buyer Marlene Roscoe. "I can't even give soft sculpture away."

The typical Lamston's customer, according to Roscoe, is a working woman who commutes and has relatively little time in her busy schedule for craft work. While in theory her commuting time might profitably be whiled away performing craft work, "You can't really do latch hook very easily on a bus," Roscoe notes.

Upgraded craft kits are selling well, but are not a booming business.

Craft year sales held about even for the Lamston's buyer last year, while needlepoint volume edged up. Roscoe believes there still is a healthy potential market for needle crafts, but complains that vendors have been slow to respond to the changing demographics of her target customer.

"I've been trying to convince people to bring out 5-in. x 7-in. and 8-in. x 10-in. pieces," Roscoe says, "but no one has responded yet." The Lamston's buyer believes the smaller sizes would better appeal to her commuting woman customer.

"If only they would come out with these sizes. I'm sure people would buy it," adds Roscoe.

Last year variety stores picked up another 2% in market share for hobby and craft retail sales, growing from 9% in 1983 to 11% in 1984. Discount stores held onto the largest part of the market with 33% (equal with last year), while toy stores picked up a point and the Big 3 catalog chains dropped 1%. ☐

The Best Service in the Business Makes Good Business Scents.

Ever try to sell a perfume you didn't have in stock? Not easy is it?

In fragrance retailing, like any business, it's important to have a supplier who delivers. Promptly. Reliably.

Anything less does not leave you smelling like a rose.

That's where Designer Fragrances comes in.

We're in business to provide the fine fragrances you need, when you need them. A little or a lot. On time. No broken promises. No excuses.

Doing just that has made us a hit with customers all across the country. And we can help you enjoy the same sweet smell of success.

So call Designer Fragrances toll free at 1-800-255-9209. For dozens of cases or a simple small order. You can depend on us.

Designer Fragrances.
We make good business scents.

designerfragrances®
Good Business Scents
P.O. Box 529 Addison, Texas 75001
(214) 248-1851 Outside Texas call toll free 1-800-255-9209

SALES: $26.7 BILLION

Home office in high demand

Competition among discounters, variety and drug stores is heavy, particularly in BTS products.

Home office products continue to be the stars in stationery, with many retailers complaining they cannot replenish inventory fast enough to meet customer demand. The products were largely responsible for the 9% overall growth of the stationery department category, as some other staples turned in lackluster or inconsistent performances.

Prices are eroding in back-to-school paper products, and competition for market share among discounters, variety stores, drug stores, supermarkets and even some gas stations is generating a dog fight. Greeting card sales are flat overall but performed well for some retailers who fine-tuned their mix. Frames and photo albums continue to perform well, with occasional flashes of sales surges sparked by new additions, such as poster frames.

While retailers continue to search for those hard-to-find, exciting new products, they can take some comfort from the continued strong performance of home office products. For variety stores who have carried the category for years, it continues to be a strong but stable category. But for discount stores who are relative newcomers to the category, the products continue to put lustre in their sales figures. Discounters' successes have prompted some department stores to take another look at the category's potential.

The Illinois-based P. A. Bergner department stores are getting into home office products. A store spokesman explained that the renewed interest is due in large measure to improved packaging "that has the department store look."

The Philadelphia-based Strawbridge & Clothier got into the home office area for the first time last year and has been very pleased with customer response. The stores present an upscale mix, but also offer moderate-priced options.

Greeting cards have proven to be something of a quandary, as buyers experiment with different mixes of major brands and specialty cards. T.G. & Y. produced solid sales gains by adopting a complete American Greetings program, while the Hallmark program at P. A. Bergner showed some sales slippage.

Veteran buyer Bill Young of Woolworth says sales of BTS products were "excellent" last year because of a solid advertising program, more space allocated to the mix, and promotional pricing. Young, who has since joined Herald Square's specialty stores, says his experiences were the exception in the industry, as other retailers describe flat sales or good sales with slim margins.

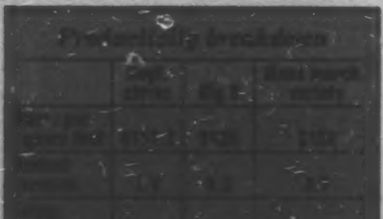
Touching all retailers is the continued lack of new, exciting products—something to increase traffic in the stationery aisles. As T.G. & Y. buyer John Bates says, "Stationery is a very basic category. We don't get the violent peaks and valleys."

P. A. Bergner's experiment with a novelty item shows what a new product can do for sales. The product, a small ice scraper attached to an imitation fur or sheepskin mit, was sold in stationery from October through January and 20,000 units moved.

Strawbridge & Clothier tried the same novelty approach by being the first to identify itself with Trivial Pursuit in the Philadelphia area. Much of the stationery department's "double digit" growth last year is credited to the board game.

There is no letup in competition for stationery sales, as drug stores and supermarkets continue to make their presence felt. Pamida buyer Chuck Rist says he saw the same encroachment pattern 15 years ago, but learned his concerns were unjustified. Rist sees signs that supermarkets and drug stores are expanding too fast for their customers and are being forced to cut back. ☐

The slight upturn in school enrollments will expand the back-to-school market.



Productivity breakdown

Department stores score major gains

Department stores have unshackled themselves from the high inventories that hobbled their performance in the fourth quarter and produced increased earnings averaging 25% over the first quarter of 1984.

The biggest winners, Associated Dry Goods with an 85% gain, and Carter Hawley Hale with 59%, were able to bring inventories in line with sales and maintained margins and effective cost control measures. ADG also credited its earnings success to a strong performance from Caldor and Loehmann's, and singled out Lord & Taylor for its contribution.

Sears, Penney and Ward stumbled badly in earnings, especially in comparison to the strong sales and earnings that a rejuvenated economy produced in the first quarter of 1984. Penney Chairman William R. Howell seemed to sum up the reasons for the decline in earnings when he explained that the company continued its accelerated markdown and promotional activity to reduce inventories in an intensely competitive environment.

Howell reports that inventories were in line with sales projections by the end of the quarter, saying Penney is now well positioned with fresh seasonal merchandise and expects sales and overall earnings for 1985 to exceed the 1984 level.

Discount and variety stores had mixed results in working to position themselves for stronger earnings later in the year.

Woolworth achieved a 50% increase in its rate of earnings by maintaining its margins, producing a small sales increase, and keeping expenses under control. Zayre, which posted a 32.6% earnings gain, produced a 21.3% increase in sales and also managed to maintain its margins.

G. C. Murphy's earnings decline of 37.2% for the quarter is largely the result of an aborted employee buyout proposal that was scrapped with the acceptance of the Ames offer. A spokesman explained that $2.4 million in fees and expenses for the earlier proposal were charged to first quarter earnings.

Toys "R" Us chairman and ceo Charles Lazarus credits the chain's 26.4% earnings gain to the stores' ability to increase sales productivity and control costs. He notes that operating expenses as a percentage of sales were reduced by more than 1% compared to last year's first quarter.

The Limited and Edison Bros. results in earnings were almost exactly opposite, with The Limited producing a 57% gain in its first quarter rate of earnings, while Edison Bros.'s declined 61%.

Both Syms and Clothes Time showed strong earnings gains in the apparel market. Clothes Time reported a gain of 190.2%.

First quarter profits in a slowdown

Chain	'84 (000 omitted)	'85 (000 omitted)	% change
Penney	$ 69,000	$ 50,000	– 27.0
Sears[2,4]	25,900	8,300	– 68.0
Ward	(3,000)	(2,000)	—
Subtotal	**91,900**	**56,300**	**– 39.0**
K mart	58,000	58,500	+ 0.8
G. C. Murphy	2,233	1,401	– 37.2
Rose's	3,693	3,303	– 10.6
SCOA (Hills)	1,126	(475)	– 142.2
Wal-Mart	43,643	51,690	+ 18.4
Woolworth[1,2]	4,000	6,000	+ 50.0
Zayre	10,601	14,056	+ 32.6
Subtotal	**123,296**	**134,475**	**+ 9.0**
Allied	14,732	17,217	+ 17.0
Associated Dry Goods	5,074	9,380	+ 85.0
Carter Hawley Hale[1]	7,300	11,600	+ 59.0
Dayton Hudson	28,400	33,451	+ 18.0
Federated	35,810	43,400	+ 21.2
May Co.	27,500	33,500	+ 21.8
Mercantile	14,309	17,596	+ 23.0
Subtotal	**133,125**	**166,144**	**+ 25.0**
Oshman's	59	(640)	–1,184.7
Toys "R" Us	9,637	12,179	+ 26.4
Subtotal	**9,696**	**11,539**	**+ 19.0**
The Gap	667	(1,117)	– 267.5
The Limited	13,605	21,346	+ 57.0
Edison Bros.[3]	10,000	3,900	– 61.0
Subtotal	**24,272**	**24,129**	**– 0.5**
Syms	1,341	1,906	+ 42.1
Clothes Time	471	1,367	+ 190.2
Subtotal	**1,812**	**3,273**	**+ 80.6**
Total	**384,101**	**395,860**	**+ 3.1**

[1] Continuing operations only. [2] Consolidated operations only. [3] Excludes unusual items. [4] U.S. merchandising only. ( ) indicates loss. Source: *Chain Store Age research*

New cash will help set the Pace

Pace Membership Warehouse, one of the few privately owned warehouse club operators rapidly expanding, wants to go public to generate cash for an even more aggressive growth.

Pace, based in Denver, hopes to raise about $25 million from the sale of some two million shares of stock. The cash would be used to fund eight to 10 new warehouses this year. Each cash and carry warehouse of the type Pace operates generally costs between $6 million and $8 million to get up and running.

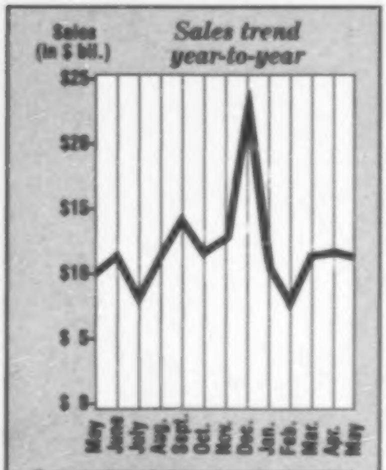
Pace already operates six warehouses in Denver, Atlanta, Tampa/St. Petersburg and Charlotte, N.C. New markets on tap for this year include Colorado Springs, Baltimore/Washington and Omaha.

As part of its expansion Pace is venturing into creating its own brand of private label products in lawn and garbage bags, sandwich bags, food wipes and charcoal.

Consumer doubt shows in slow sales

"Consumer expectations, which have an impressive record in calling major turns in the economy, have lost considerable ground since the beginning of this year," says Fabian Linden, executive director of the New York-based Conference Board's Consumer Research Center. "The latest message from the consumer is less than reassuring."

According to Conference Board research, consumer plans to buy major appliances, ranging from refrigerators and washing machines to TV sets and ranges, slid to 22.3% in May, down from 25.9% in April. Home buying plans fell to 2.9%, compared to 3.7% the month before.



Composite of sales trends showing month-to-month sales volume for the 25 retail companies tracked by *CSA*.

For the 26 chains tracked by *Chain Stores Age*, consumer apprehension was reflected in disappointing sales. Volume for the month of May nosed up a modest 6.3%. Sales for the four-month-old fiscal year edged up 8.6%.

The big losers for the month were the Big 3 catalog chains. Sears volume dropped 1.3% from last year's figures, and its year-to-date sales are hovering only a percentage point above 1984. J. C. Penney volume dipped 1.8% for the month. Sales at comparable stores decreased 2.7%. Montgomery Ward volume dropped 4.7% in May and now stands 0.2% below last year's four-month totals.

At Federated Department Stores, Richway and Gold Circle combined to show a 5.3% decrease from figures for the same month a year ago. Federated's department store divisions posted a 5.8% monthly increase.

The opposite relationship held true for May Co., which saw its Venture discount division posting an 11.3% sales jump, while its department stores gained a more modest 1.6%.

Dayton Hudson recorded an 11% increase in May for its department stores, 19% at Mervyn's and 7% at Target. According to chairman/ceo Kenneth A. Macke, May sales were below expectations at all segments except Target.

K mart posted May sales up 12.2%, but same-store results gained only 3.2%.

Among the specialists, Tandy continued on its recent rebound. U.S. retail operations recorded a 13% gain in May, with same-store results increasing 10%. Richmond, Va.-based Circuit City Stores posted a 45% monthly gain with comparable store results jumping 26%.

The Big 3 post sales drops

		May Sales*		Stores		4-mo. sales*		
Major chains	% change	1985	1984	1985	1984	1985	1984	% change
Sears[1,8]	− 1.3	1,752,500	1,775,700	796	811	6,943,900	6,880,400	+ 0.9
Penney[5]	− 1.8	864,000	880,000	1,992	2,015	3,453,000	3,404,000	+ 1.4
Ward[1,7]	− 4.7	431,700	453,200	364	367	1,672,500	1,675,400	− 0.2
Federated[8]	+ 4.6	582,100	556,500	468	424	2,347,400	2,197,900	+ 6.8
Dayton Hudson[7]	+ 11.2	599,700	539,400	1,145	1,101	2,362,000	2,052,300	+ 15.1
May Dept. Stores	+ 5.6	364,200	344,700	1,926	1,635	1,454,100	1,304,000	+ 11.5
R. H. Macy	+ 6.4	323,900	304,500	96	93	1,280,000	1,210,000	+ 5.3
Associated Dry Goods	+ 5.6	332,800	315,100	340	325	1,261,000	1,128,000	+ 11.8
Allied Stores	+ 2.0	312,400	306,400	616	581	1,192,700	1,147,900	+ 3.9
Carter Hawley Hale[7]	+ 6.7	264,500	247,800	281	252	1,116,300	1,008,200	+ 10.7
Mercantile	+ 10.9	134,975	121,717	79	78	531,186	476,700	+ 11.4
K mart[6]	+ 12.2	1,803,300	1,607,300	2,172	2,157	6,799,700	5,921,100	+ 14.8
Wal-Mart	+ 30.1	653,000	502,000	776	674	2,309,000	1,737,000	+ 32.9
Woolworth[8]	+ 8.6	271,400	249,900	N/A	N/A	1,082,700	993,300	+ 9.0
Household Merch.[2,3]	+ 3.8	418,236	402,928	3,684	3,753	1,713,100	1,642,115	+ 4.3
T.G. & Y.	+ 1.0	162,419	160,806	740	776	627,339	625,049	+ 0.4
Zayre[4]	+ 17.6	267,600	227,500	874	785	1,063,900	886,200	+ 20.1
Bradlees	+ 5.0	106,000	101,000	136	128	388,000	362,000	+ 7.2
Rose's	+ 6.9	97,169	90,895	197	191	309,575	278,944	+ 11.0
Murphy	− 1.2	67,971	68,770	380	399	270,625	271,224	N.C.
Jamesway	+ 11.0	39,580	35,671	85	78	143,062	121,732	+ 17.5
Heck's	− 11.4	32,900	37,100	126	122	147,800	140,800	+ 5.0
Melville	+ 11.5	343,400	308,100	5,307	5,757	1,398,200	1,257,455	+ 11.2
Tandy	+ 8.0	216,260	200,195	N/A	N/A	865,528	829,102	+ 4.4
Edison Bros.	− 1.3	102,300	103,600	N/A	N/A	317,200	344,200	− 7.8
The Gap	+ 15.0	38,300	33,300	629	576	148,900	131,500	+ 13.2
Circuit City	+ 45.1	49,200	33,900	96	N/A	162,400	119,200	+ 36.2
Totals & Averages	+ 6.3	10,469,391	9,847,176	—	—	40,733,776	37,520,672	+ 8.6

*000 omitted. N.C. = no change. N/A = not available.
[1] Store number for full-line outlets only. [2] Includes 2,766 franchise stores (vs. 2,806 a year ago). [3] Includes T.G. & Y. sales. [4] Includes 291 Zayre stores (vs. 276 a year ago), 415 Hit or Miss stores (vs. 377) and 168 T. J. Maxx stores (vs. 135). [5] Excludes supermarket sales. [6] Store count is for K mart stores only. [7] Continuing operations only. [8] Domestic operations only.

Moody's reviews $1.2 bil. Ward debt

Prompted by Mobil's announcement of $500 million of after-tax write-offs at Montgomery Ward in 1985, Moody's Investors Service has placed the long-term ratings of Montgomery Ward & Co. and Montgomery Ward Credit Co. under review for possible downgrades.

Montgomery Ward Credit's Prime-2 rating for commercial paper is also under review. Not affected are the Aa3 long-term rating and Prime-1 rating of Mobil Corp.

Of particular concern is the future of the support agreement between Mobil and Ward. The ratings, which affect approximately $1.2 billion in long-term debt, include those on the sinking fund debentures and industrial revenue bonds of Montgomery Ward, and the debentures, sinking fund debenture notes, senior subordinated notes and medium term notes of Montgomery Ward Credit.

HOME COMPUTER MARKET ALIVE, BUT KICKING

A recent *Chain Store Age/Better Homes and Gardens* survey shows printers, floppy discs and color monitors to be consumers' most desired computer products.

In the poll, games and education top the list for home computer owners.

Back in the bottom of the closet, right next to the eight-track tape player and the quadraphonic stereo, sits the family's home computer—unused and collecting dust. Sure, it was fun for a while. The children played games at first, but then lost interest. Mom tried keeping her recipe file, but index cards proved easier. Dad was going to balance his checkbook, but he never got around to it.

Sound familiar? It ought to. The entrenched folk lore of home computers says that many machines sold in the last five years are now no more than expensive, and forgotten, dust-collectors. The truth is that they are not.

According to *Chain Store Age/Better Homes and Gardens* research, over 3 out of 4 home computers are used at least once a week. Thirty-five per cent of computer owners in the 421 member, upscale consumer panel report that they use their computer daily. Another 30% say they make use of their home machine at least three times a week.

Though the gold rush days of the home computer industry are over (sales of machines designed for home use actually declined 4% last year to 4.8 million units), the much publicized industry shakeout has panicked vendors and venture capitalists more than it has consumers.

Nineteen per cent of the *CSA/BH&G* panel already own a computer, and another 10.2% report that they intend to buy a home machine in the next 12 months. Intent-to-buy is highest among those in the 18-34 age group and increases with both income and household size.

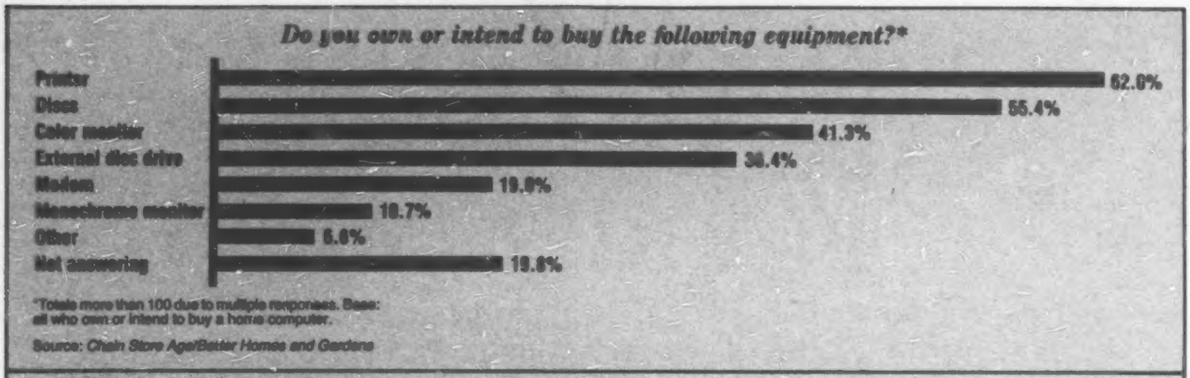
With 18 million personal computers already in use, software publishers can continue to profit from that market, despite its slowing growth rate. On the average, computer owners in the *CSA/BH&G* survey already have 4.3 software programs. And among those who already own or intend to buy a home machine, the consumer panel members expect to buy another 3.9 software titles in the next year.

When asked how they will use their home computers, education and games top the list, cited by 66.9% of those who currently own or intend to buy in the next year. Record keeping ranks third, answered by 62.8%, followed by word processing (52.1%) and financial planning (38.8%).

Interest in buying educational software, according to the study, increases with both household income and family size. Three out of 4 families with children who expect to buy software this year say that they will purchase educational programs. The same number intend to buy games software, though unlike educational programs, interest in purchasing game titles decreases in higher income families.

Record keeping, word processing and financial planning software buying intention increases as household income rises, but decreases in larger families. Those with children express less interest than the average in buying software in these categories.

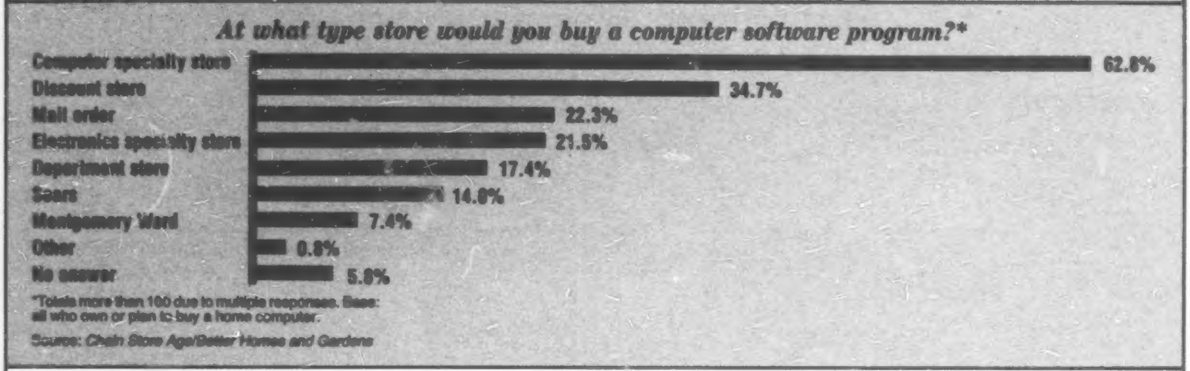
Still a mass market: When asked at what type store they would buy a computer program, the *CSA/BH&G* consumer panel named computer specialty stores at the top of the list (see chart). Still, discount stores were mentioned as a likely choice for software by more than 1 in 3 respondents (34.7%). Department stores received a 17.4% re-



*Do you own or intend to buy the following equipment?**

*Totals more than 100 due to multiple responses. Base: all who own or intend to buy a home computer.

Source: *Chain Store Age/Better Homes and Gardens*



*At what type store would you buy a computer software program?**

*Totals more than 100 due to multiple responses. Base: all who own or plan to buy a home computer.

Source: *Chain Store Age/Better Homes and Gardens*

sponse, while Sears and Montgomery Ward garnered 14% and 7.4%, respectively.

Even though the general merchandiser's share of the software market has slipped in the last year, the industry itself continues to grow. In 1984, according to the Electronics Industries Association (EIA), more than 58 million software titles were shipped to dealers. This year the EIA projects that number will grow nearly 30% to 75 million units.

Consumers on the *CSA/BH&G* panel who choose general merchandisers for software are on the average younger, less affluent, have larger families with more children than those who pick computer specialty stores or electronics specialists.

The study implies that the most profitable niche in the software market for discounters, department stores and the catalog chains will continue to be low end games and educational titles, leaving the higher priced and more sophisticated software to the specialists.

Peripherals: Printers, according to the survey, are the most sought after home computer peripheral. In the poll 62% of present or potential computer owners report that they either already own a printer or intend to buy one in the next year.

Interest in printers increases slightly with the age of the survey respondent, but income proves a stronger determinant in who owns or wants a printer. Among those with incomes above $25,000, 63.1% report interest in printers. In the group with family incomes in excess of $50,000 the number interested increases to 70.5%.

***Consumers polled choose** color over monochrome monitors by 4 to 1.*

Floppy discs rank first in the poll as the computer accessory most used and with the highest buying intention. Over half (55.4%) of the survey's current/potential computer owners say that they already use discs or expect to buy them in the next 12 months. This compares to the 36.4% of the consumer panel that says they own or wish to own an external disc drive.

When it comes to monitors, the *CSA/BH&G* consumer panel chooses color over monochrome monitors by nearly a 4 to 1 margin. In the survey 41.3% of computer owners report that they own or expect to buy a color monitor for their home computer. This compares to the 10.7% that say they already have or will purchase a monochrome monitor in the next year.

Modems find 19% of present or potential home computer owners in the survey reporting that they are already in use or will be purchased in the next 12 months. Unlike other computer products in the study, however, interest in modems is highest in smaller families with no children. ■

C5150-7

CE: Is there a market for VCPs?
Housewares: Carson's Level 6

CALDOR'S NEW TEAM

HOW MUCH CABBAGE IS LEFT?

TWO DOLLARS [illegible] ISSUE

CONTENTS

August 1985

Carson Pirie Scott's Level 6 sets the stage for the future of housewares 35

Industry Trends

Mercantile: Strong among the best in department stores 13
Caldor's team strives for a unique look 16
Department stores put the squeeze on small vendors 18

Consumer Electronics

Is there really a market for the VCP? 23
New launching for satellite TVs 25
CE MarkeTrends: phone answerers, headphone stereos, stereos 27

Housewares

Will gadgetry revive margins in vacuums? 37
Home Security sections lure shoppers 39
Housewares MarkeTrends: travel irons, food processors, clocks 42

Home Textiles

Curtain Country: Style and savvy 49
Flannels are cozy to consumers 50
Tailoring gives placemats new life 54

Toys

Mixed reception for Toys "R" Us in Canada 57
Model trains are still chugging along 58

Licensing

How much Cabbage is left in the Patch? 63

Photo/Camera

Will Polaroid's new system be an "instant" hit? 67

Stationery

Greeting card mix shows more spice 68
Document boxes prove a safe bet 70

Classified Mart 72

CHAIN STORE AGE General Merchandise Trends (ISSN 0193-1350) is published monthly by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Retailers: $12 a year; three years, $32. Wholesalers, manufacturers, schools, libraries and all others: $20 a year. Foreign subscriptions: Airmail only, $100 a year. Single copy rate $2. Second Class postage paid at New York, N.Y., and at additional mailing offices. Vol. 61, No. 8. Copyright © 1985 by Lebhar-Friedman Inc. All rights reserved.
ALL CORRESPONDENCE should be addressed to Executive Offices, Chain Store Age General Merchandise Trends, 425 Park Ave., New York, N.Y. 10022. For a change of address, six weeks notice to Circulation Fulfillment Director, 99 Park Ave., New York, N.Y. 10157, is requested. Give old and new address and zip code. If possible enclose address portion from cover on previous issue. Postmaster: Please send address changes to *Chain Store Age*, General Merchandise Trends, Subecription Dept., 99 Park Ave., New York, N.Y. 10157. Member Audit Bureau of Circulations, Second Class Mail Publications Inc., and Magazine Publishers Association.
Copyright © 1985 by Lebhar-Friedman Inc.

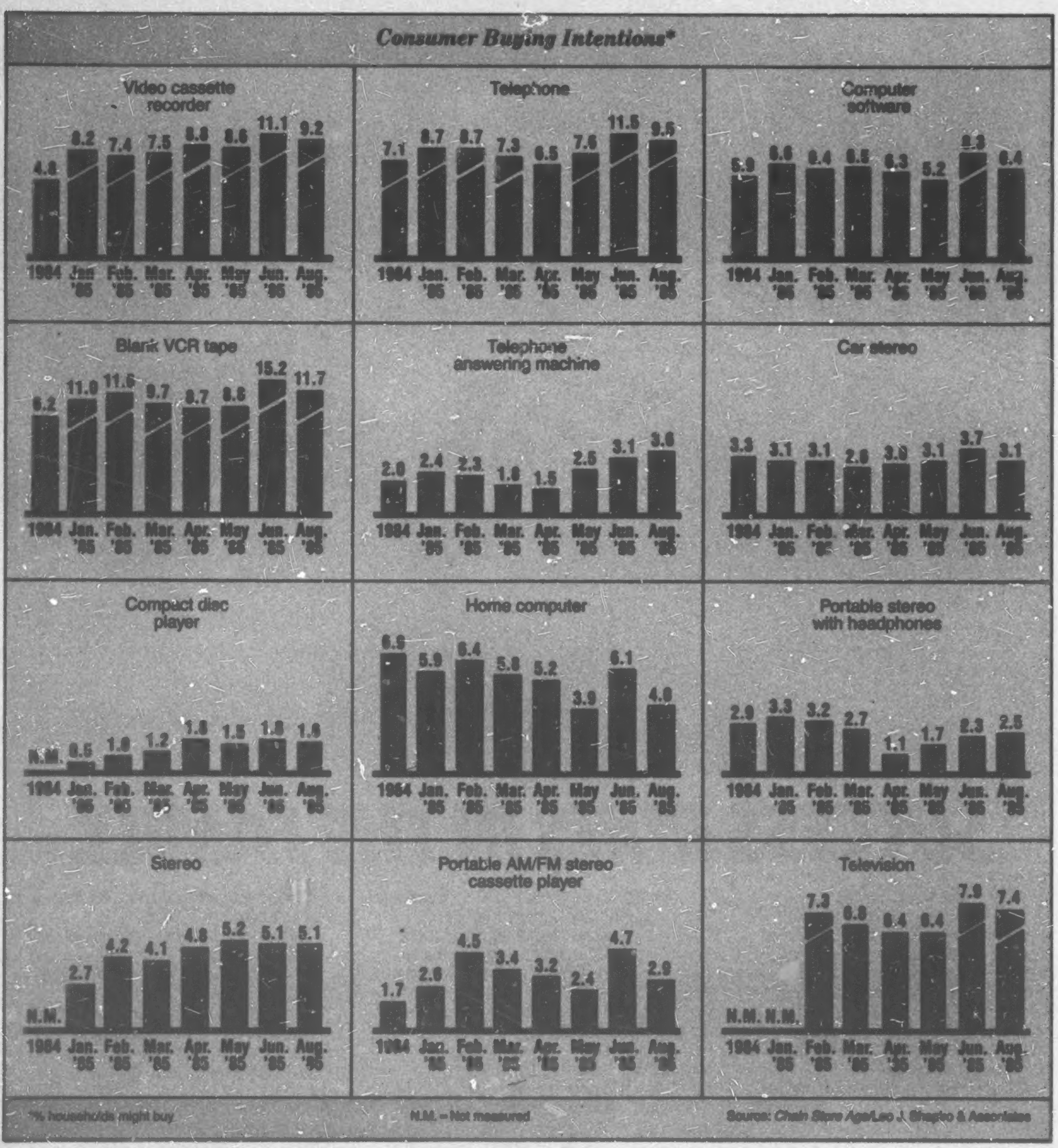
EIA 2.8% growth rate too low?

Could the boom go bust? When at June CES the Electronics Industries Association projected a paltry 2.8% growth rate for home electronics in 1985, the downwardly revised estimate put a scare into an industry grown accustomed to double-digit gains. As recently as January the EIA had been predicting an 8.2% increase for 1985.

Consumers, however, apparently have not read the EIA's gloomy projections, and sales may yet prove considerably more optimistic before year's end. For six of the nine electronics categories tracked both in the current poll and in last August's MarkeTrends, consumers express a higher intention to buy this year than in the 1984 poll.

The big winners a year later are VCRs, with 92% more households reporting they expect to buy in the next 12 months, and blank video tapes, up 89% from 1984. Telephone answering machines have posted an 80% increase in intent to buy, followed by boom boxes (+71%), telephones (+34%) and computer software (+8%).

The only downtrenders from last August's survey are home computers (−42%), headphone stereos (−14%) and car stereos (−6%). ☐



*Consumer Buying Intentions**

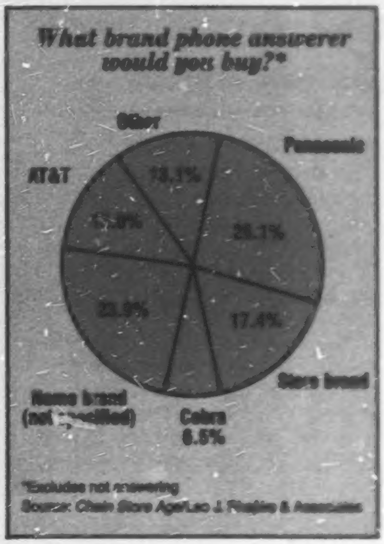
*% households might buy

N.M. = Not measured

Source: *Chain Store Age/Leo J. Shapiro & Associates*

AT&T is not answering the phone

Consumers have a good idea of what they will spend on phone answerers.



*What brand phone answerer would you buy?**

*Excludes not answering

Source: Chain Store Age/Leo J. Shapiro & Associates

"AT&T is like God," says one telephone answering machine vendor. "They both have three letters in their names, and they both seem omnipotent."

While godlike might be a slight exaggeration, the communications giant certainly enjoys both tremendous market share and considerable top-of-mind consumer awareness. In the March MarkeTrends survey, 51.1% of the households that expected to buy a telephone in the next year said that they wanted to buy an AT&T phone.

Though undeniably the biggest player to be reckoned with in telephones, AT&T's strength doesn't seem to carry over into telephone answering machines. According to the August MarkeTrends poll, only 13% of those who intend to buy an answerer expect to buy AT&T.

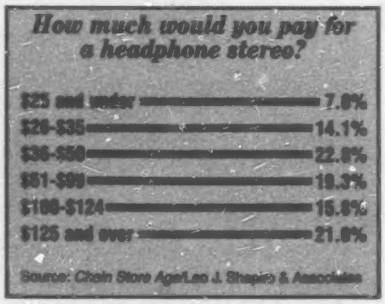
Panasonic, named by 26.1% of prospective consumer buyers, unspecified brand name (23.9%) and store brands (17.4%) all beat out the communications giant in the MarkeTrends survey.

Some retailers have noticed. Macy's New York, for example, includes AT&T along with both private label and Webcor in its telephone assortment, but merchandises only Panasonic, Sanyo, Phone-Mate and Uniden in its answering machine mix.

On the whole, consumers have a pretty good idea of what they will be spending for answerers. The average amount cited by prospective buyers in the most recent MarkeTrends survey is $127.

The Macy's New York assortment cited above, which opens with the Sanyo TAS 1000 at $119 and tops out with the Uniden EX9400 at $229, would meet the price expectations of 68% of potential customers in the MarkeTrends poll. Adding an additional unit priced just under $100, however, would up that number to 84%. ☐

Price promos move headphone stereos



How much would you pay for a headphone stereo?

Source: Chain Store Age/Leo J. Shapiro & Associates

The market for personal headphone stereos now appears driven predominately by replacement. The August MarkeTrends study indicates that 2.5% of households surveyed report they expect to buy a headphone stereo in the next 12 months. This compares almost identically to a year ago's 2.9% intent to buy.

Estimates from the Electronics Industries Association concur. EIA predicts 19 million units will be shipped to dealers in 1985, exactly equal to last year's totals. Projections for 1986 indicate a 5% unit increase, but a 2.5% decrease in dollar volume.

Though replacements currently account for a hefty share of the business, once again many retailers are trying to drive a maturing market through price promotion. The main beneficiary of the strategy, however, appears to be the consumer.

According to the August MarkeTrends poll, fully 72% of those who have bought headphone stereos in the last year say that they bought on sale. This compares to the 58% who said that they bought on sale a year ago.

Price and discount have also become the most important factors in choosing a store to shop for a personal stereo, according to MarkeTrends.

In the most recent survey, 55.6% say that price is the reason they would shop a particular outlet. A year ago 40% cited price as the prime reason for picking a store.

Consumer price expectations have tumbled. In August 1984 consumers expected to pay $80 for a headphone stereo. This August prospective buyers cite an average $60 price. ☐

Stereo system sales get set to sail

After three years in the doldrums, audio systems are sailing again. Though unit sales are still below 1980 industrywide levels, wholesale dollar volume will top $1 billion again this year, according to the Electronics Industries Association.

MarkeTrends research reflects heightened consumer interest in buying a home stereo. Since January of this year, the number of households that say they expect to purchase in the next 12 months has jumped nearly 90%. In the most recent survey over 1 in 20 households (5.1%) report that they intend to buy a stereo system sometime in the next year.

Stereos play best in the West

	Sales potential score*
New England	112
Middle Atlantic	105
South Atlantic	[illegible]
East North Central	47
West North Central	[illegible]
East South Central	95
West South Central	[illegible]
Mountain	71
Pacific	[illegible]

*Compares number of households that might buy with number of households in geographic area.
Source: Chain Store Age/Leo J. Shapiro & Associates

When the survey results are broken down on a regional basis, however, the sales potential picture proves considerably different. Consumers in the Pacific and West South Central states indicate a higher interest in buying a home stereo than any other region. The East North Central states show the least interest (see chart).

Asked which brand stereo they intend to buy, consumers come up with a list of 14 nationally advertised brands, the most for any of the 12 consumer electronics products studied. Only Pioneer (13.4%) and Sony (11%) are named by more than 1 in 10 consumers in the poll, with Fisher (8.5%) and Panasonic (7.3%) the only others garnering the votes of more than 1 in 20 consumers.

On the average, consumers expect to pay $571 for their new stereo system. ☐

Gray market or free market?

There are two things that can be said for sure about the free market economy. First, everyone in American business proclaims absolute allegiance to it. Second, almost no one truly supports the free market when it comes to their own business.

That is not necessarily bad. Did the Chrysler bailout hurt or help the American economy? All but the most strident free market adherents would say it helped.

Does the near mortally threatened American textile industry deserve protection from imports? Pure free market philosophy says not. But I would invite anyone who believes that to say it directly to a Southern textile worker whose town is about to lose its only industry and its workers their only jobs.

Since most consumer electronics manufacturing moved offshore some time ago, the industry faces a different free market question: Should the gray market in electronics goods be outlawed?

So far, efforts to ban gray market goods have not met with success. These attempts have not been successful because national decision-makers do not want to tamper with the free market.

It may surprise many when I say that this is a free market question. Much of both consumer and trade press reporting on the gray market has explained it solely in terms of currency variations.

A little bit of arithmetic, however, shows that currency differences do not create the gray market. What really gives life to this second distribution network is the lack of worldwide prices.

As long as there are manufacturers selling the same or similar products to offshore distributors at prices below those available to American merchants, then American merchants will look to those other avenues to buy at the best price.

Let's not fool ourselves about this. The number of retailers who purchase through the gray market is neither small nor limited to so-called "sleazy" deep-discount specialists. A list of retailers who at least somewhat regularly buy on the gray market would include nearly all of the most respected electronics retailers.

Nationally known department stores, discounters, catalog outlets and audiovideo specialists would all find their names listed. I know of at least one chain that was buying 12,000 gray market portable headphone stereos every month during the boom a few years back.

There is nothing nefarious about this. If retailers buying at the best price available to them on the international market is wrong, then so are many of our assumptions about business and the free market. Buying at the best price and selling at the best price is, after all, what retailing is all about.

What is the effect of gray market buying? For one, it helps keep free market principles in control of prices. As long as international companies know that the gray market exists, they will keep prices honest.

Without the gray market, vendors could set prices for U.S. customers far above those charged customers in other countries. With the gray market, prices respond more directly to the principles of supply and demand.

In the end, the free market is what we all believe in. There certainly may be times when its principles might be broken or bent for the common good, but in banning the gray market we would also be banning supply and demand pricing. I don't think any of us is ready to go quite that far.

—Rick Gallagher

Vacuums get a jolt with gadgetry

Higher price tags have retailers wondering if consumers will trade up to new high-tech vacuums.

Vacuums are getting smarter these days. Microchip technology has made it possible for vacuums to actually "judge" how much power is needed to clean a surface. Some models also have the ability to clean wet and dry spills or automatically turn themselves off should a problem arise.

Not surprisingly, these new state-of-the-art models come with higher price tags and a need for assistance at point-of-sale. This has left retailers wondering whether today's customer is willing to trade up to the new models complete with all the "bells and whistles."

Industry sources hope so: Most retailers and suppliers agree the industry could use a shot in the arm. Shipments, according to the Vacuum Cleaners Manufacturing Association, sank from 7.9 million units in 1983 to 7.4 million in 1984.

The outlook is somewhat brighter in 1985 with unit movement estimated to hit eight million by the year's end. Many, such as Whirlpool's general manager of floor care John Geehring, attribute the lift in sales to new vacuums with the latest gadgetry. Geehring predicts movement will hit the 10 million mark by 1990 as consumers replace existing vacuums with upgraded models.

"Today's time-pressed customer wants to save time and energy by using electronic vacuums," Geehring says. "This segment will grow faster than other parts of the business. It is also a benefit to retailers because these vacuums offer better gross margins."

More vendors enter the fray: Based on Geehring's assessment of the market, it is no surprise that Whirlpool entered the branded vacuum business with a six sku line of electronic vacuums in the $159 to $439 price range. It also is not unexpected that other brands should enter the fray. In fact, retailers are praising several new entries including those from Conair, Bionaire, Toshiba and Sharp.

Although Eureka and Hoover are still the category's dominant forces, according to K mart's sr. buyer Dennis Dorn, other brands are gathering attention. Adds Jeff Case, buyer for Fresno, Calif.-based E. Gottschalk & Co., "We're seeing some more sales from Regina and Royal."

No matter what the brand name, retailers are trying to gauge the success of higher-ticket vacuums, particularly the electronics.

Those retailers who took on the new Whirlpool line (it has only been selectively distributed) report they are "moderately" pleased with the line. At Rich's in Atlanta, for example, a company spokesman says that movement is not as fast as he thought it could be, but the brand fills a definite niche between Hoover and Eureka and the door-to-door brands.

Others prefer to stick with offerings from the industry leaders—Hoover and Eureka. Several do not feel Whirlpool, which is not known for its vacuums (although it has made private label lines), can put a dent in Hoover's and Eureka's market share.

Trading up: Within the standard vacuum lines, however, retailers have noticed consumers trading up. Case at Gottschalk's reported a decent sell-through on Hoover's new Dimension vacuum. Dimension, according to Diane Kolsa, market analysis for Hoover, decides how much power is needed to clean a surface.

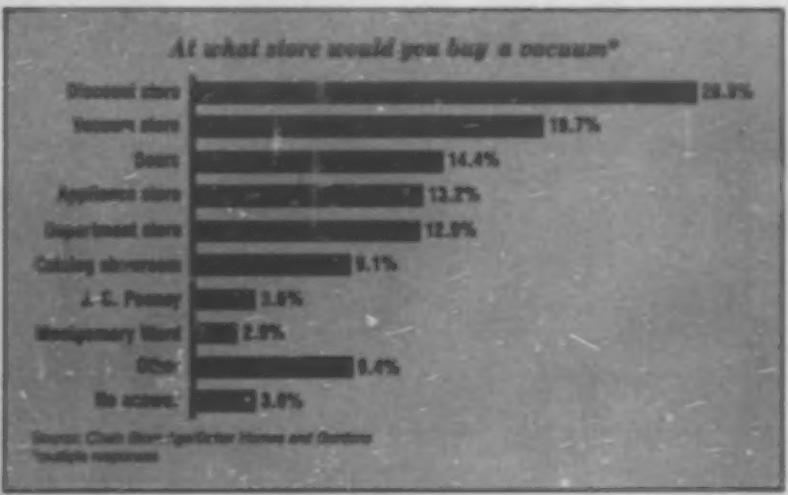
Even the catalog showroom segment of the business reports encouraging sales of higher-ticket electronics. At Rochester, N.Y.-based The Present Co., buyer Roger Krischan is noticing more people buying vacuums in the $200 price range.

"We've always done well with higher-end items," he says, "but now we're finding people who want a vacuum that will do everything except plug itself in."

One of the benefits of the upgraded models, retailers note, is the chance to bring margins back up to healthy levels. Many say aggressive promotions by Eureka and Hoover have resulted in depressed margins as low as 20% to 25%.

"With our models," says Perry Clay, general manager, appliance division at Sharp, "we can offer retailers margins as high as 35%.

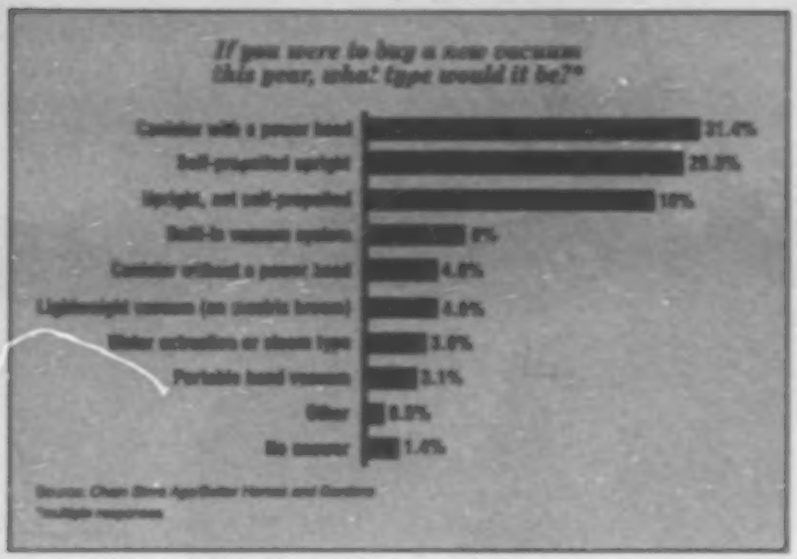
If margins can be boosted, retailers say, vacuum cleaners will start receiving better in-store place-



Source: Chain Store Age/Better Homes and Gardens
*multiple responses

APPLIANCES

Consumers are trading up in standard vacuum lines, say retailers.



Source: *Chain Store Age/Better Homes and Gardens*
*Multiple responses

Electronic vacuums save time and energy for busy consumers.

ment. K mart, for example, has enacted—in conjunction with Hoover—a new vacuum display to be used in the front of the department rather than in hidden space in the back.

"We have to find ways to improve slipping margins," admits Geehring, "so that retailers will move the department back to better presentation space."

Yet there is a down side: The new sophisticated vacuums take more advertising and more in-store demonstration. And, if consumers shy away from the price, retailers could get stuck with expensive inventory on vacuums that will not move.

Retailers are answering these problems by using more demonstrators. Case at Gottschalk's estimates that he uses a demonstrator 50% to 80% of the time.

Vendors say they are attempting to make the products easy to sell in a self-service environment. Hoover, for example, has a new hang-tag program, according to Kosla at Hoover.

Despite efforts to trade the customer up, several retailers report they are taking the opposite tack and hyping the smaller, often rechargeable offerings. Stick brooms, according to Krischan at Present Co., have really taken off. To that end, he plans to take on Eureka's new Quick Up, a battery cordless item. Krischan ordered over 48,000 pieces of Quick Up and thinks it is at a "good place in the market."

Bill Eades at Heck's agrees and plans to run Quick Up in a Back-to-School ad at a price of $39.96 (his cost is $29).

Retailers mention several other strong-selling small units: Mighty Mite from Eureka, Royal's Dirt Devil and Black & Decker's Dust-Buster.

Despite the emphasis on these smaller items, recent *Chain Store Age/Better Homes and Gardens* research shows most consumers interested in purchasing a canister with a power head (31.4%) followed by a self-propelled upright (29.3%) and an upright that is not self-propelled (18%). Only 4.6% of the market surveyed were interested in an electric broom style and 3.1% expressed interest in a hand-held version. ☐

Home security sections lure shoppers

Successful sales of home security items have led some retailers to establish easy-to-shop product sections.

Manufacturers of home security products have a .500 batting average.

The resurgence they predicted in sales has not improved beyond the current healthy levels, but their suggestion that retailers consolidate the products into one section has gained acceptance in most major chains.

Retailers are generally pleased with the performance of smoke detectors, timer lights, and fire extinguishers, and the good sales have prompted them to present the products in one section to make it easier for shoppers to find.

Over the past three years, most major chains have plucked several products out of different departments and presented them in one area with special signs and displays. The new merchandising approach has been further helped by a healthier housing market and tougher local fire ordinances that mandate some of the products.

Typically, the home security section is in the hardware department and consists of three to four sku's of smoke detectors, the keystone products, at least three sku's of fire extinguishers, and two to three timer lights.

In price points, lower-priced smoke detectors hover around $10, and top of the line items can go as high as $32. Fire extinguishers usually begin at a $10 price point for the smaller size and continue up in price to the $30 level. Timer lights range from $6 to just under $10. Rebate programs often mean a third off the sales price, or as much as $10 on a higher-priced smoke detector.

The hardware department was chosen as the appropriate place for the new section—rather than housewares—because men are the primary shoppers for home security products. The consolidation of the products in one, easy-to-find area

Summer housewares sales slowdown

Retailers' fears that summer housewares sales would slow may have some validity, according to the most recent consumer buying intentions survey conducted by *Chain Store Age*/Leo J. Shapiro and Associates.

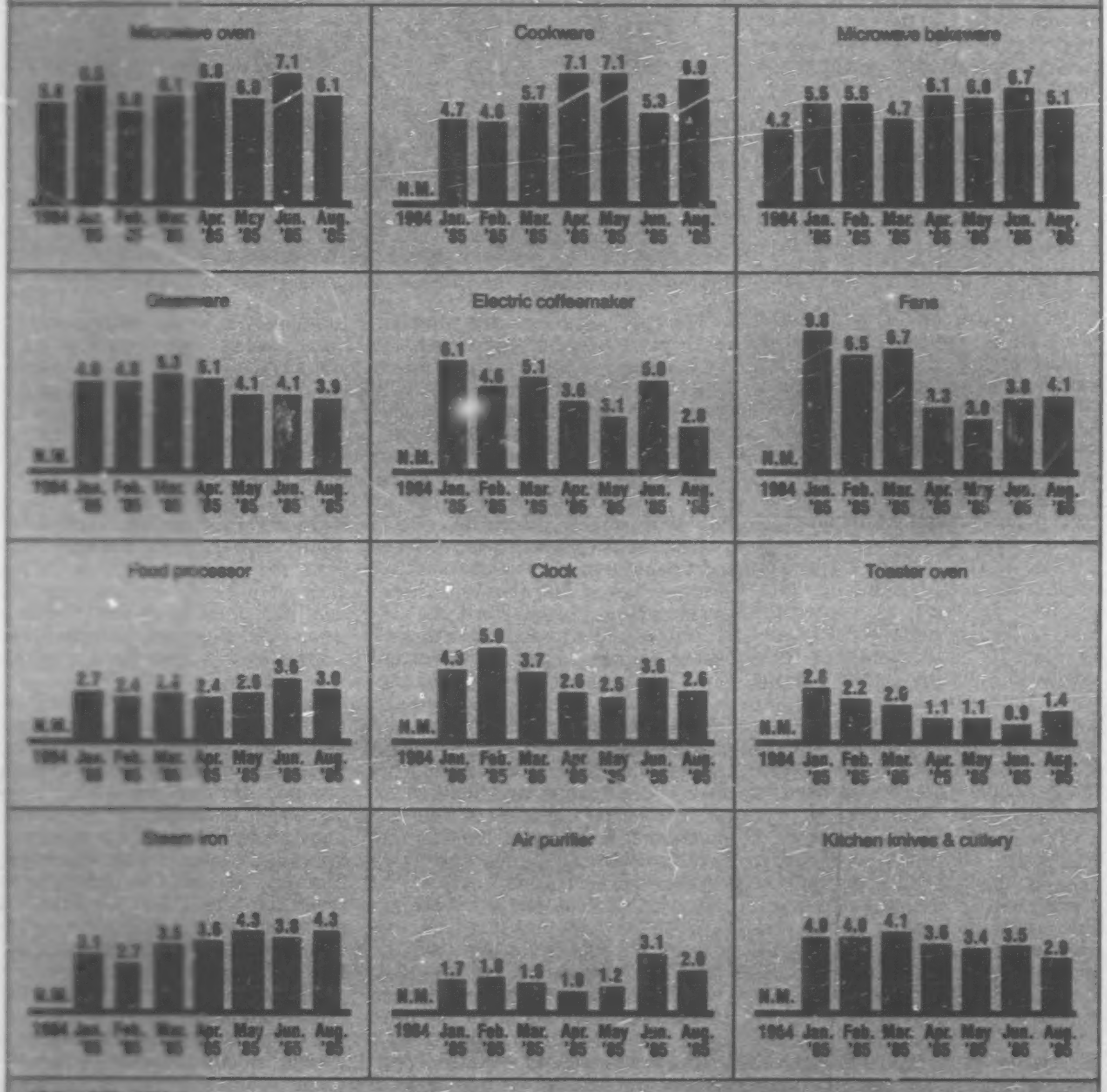
Several key classifications continue a downward trend based on the consumers' intentions to buy within the next 12 months. Glassware, electric coffeemakers and cutlery head the lists of items declining. Glassware, in fact, shows its lowest intention to buy percentage (3.9%) since the category was first tracked in January.

Retailers and vendors agree that the housewares business has been somewhat flat over the summer.

Even the brightly colored summer seasonals did not provide the spark most buyers had anticipated. Retailers are quick to add, however, that summer housewares sales are usually slower than sales during the rest of the year.

There are a few bright spots in the housewares category, the survey points out. After a slight fall off in June, cookware and steam iron sales should start perking up again. Almost 7% of the households polled plan to be in the market for cookware; 4.3% are contemplating a purchase of a new steam iron. □

Consumer Buying Intentions*



* % households might buy

N.M. = not measured

Source: *Chain Store Age*/Leo J. Shapiro & Associates

Increased travel heats up iron sales

Retailers say travel irons are now a thriving segment of total iron volume.

The continued strength of the dollar has enticed more Americans to head to Europe or other vacation sites. With this additional travel has come a surge in sales of travel irons, particularly those with foreign voltage adapters.

Retailers say this area has grown from one with little volume five years ago to a thriving segment of total iron volume. Recent *Chain Store Age*/Leo J. Shapiro & Associates MarkeTrends research shows that 7.7% of those planning to buy an iron (who mentioned a type) expect to buy a travel version.

Dennis Dorn, K mart's sr. buyer for small appliances, agrees that travel irons have contributed to a renewed growth in what had been a stagnant iron market. He also cites the new cordless irons and irons with automatic shut-offs as items bringing incremental volume to the category.

If you bought an iron, how much would you expect to pay for it?

$15 and under	18.3%
$16 to $20	29.3%
$21 to $25	14.0%
$26 to $30	12.2%
$31 to $35	13.4%
$36 to $50	11.0%
$51 and over	1.2%

Source: *Chain Store Age*/Leo J. Shapiro & Associates

The recent poll found that although the majority (69%) plan to purchase a corded model, a significant 23.1% of the households will be in the market for a cordless iron. Retailers welcome that news because the cordless models carry higher price tags.

According to Sunbeam's Wayne Smith, Sunbeam's Monitor Iron (with an automatic turn-off) has helped that company up its iron market share by 50%.

Despite Sunbeam's growing name in irons, consumers queried by *CSA* still have an immense loyalty to the General Electric name (irons, excluding the automatic turn-off model, will not start carrying the Black & Decker logo until Jan. 1986). Better than 50% of the households say they will buy a G.E. iron. That is on par with the number of households that topped their lists with G.E. when the category was last tracked, in March 1985. ☐

Promotions push processor sales

Heavy promotional activity by department stores helped put them back on top as the place where consumers would most likely buy a food processor.

In the August MarkeTrends research conducted by *Chain Store Age*/Leo J. Shapiro & Associates, almost 27% of the households surveyed selected a full line department store as the logical choice for the purchase of a food processor. Next in line were Sears, Penney and Montgomery Ward, which captured 23% of the households, followed by discounters with a 19.2% share.

This is a dramatic shift from March, when MarkeTrends research showed the Big 3 controlling the market with 33% penetration. In that poll, discounters were selected by 25% of the households and full line department stores were the choice of only 16.7% of the survey.

Many retailers and suppliers attribute the drastic loyalty switching to the intense discounting departments stores are employing to bring back the food processors business—a business they feel is rightfully theirs. A recent price check of Sunbeam's Oskar food processor in the Chicago market underscores what is going on: J. C. Penney featured the item for $79.99 while Marshall Field put it out at a bare bones price of $69.99.

Department store retailers obviously know how important price can be to this category. MarkeTrends research found that 50% of the households select price as the reason they chose one location over another. The survey found 70% had purchased a food processor on sale.

Cuisinart charges ahead; Sunbeam surfaces

Brand preference March 1985		vs. August 1985	
General Electric	30.0%	Cuisinart	25.0%
Cuisinart	21.6%	General Electric	12.5%
Oster	15.0%	Sunbeam	9.0%
Moulinex "La Machine"	6.3%	Hamilton Beach	5.9%
Hamilton Beach	4.3%	Moulinex "La Machine"	5.8%
Other (including store brands)	23.4%	Other (including store brands)	40%

Source: *Chain Store Age*/Leo J. Shapiro & Associates

Further proof that department store promotions have impacted the market: Cuisinart (a department store line) grew in brand preference. It was selected as the brand shoppers would buy by 25% of the households polled. ☐

Clock sales are slowing down

Retailers are rushing to make the clock category more of a fashion business in order to stem the softening of clock sales and profits.

The theory, buyers say, is that with the injection of fashion into the clock business will come greater impulse sales and incremental business.

Retailers have their work cut out for them. According to recent MarkeTrends research, the intention-to-buy is sinking. Only 2.6% of the households polled plan to buy a clock within the year. That is down from the category's high of a 5% intent-to-buy percentage last February.

Where was your last clock purchased?

Discount store	32.3%
Sears, Penney, Ward	12.7%
Department store	13.6%
Drug store	10.0%
Catalog showroom	9.8%
Hardware store	4.2%
Other	17.4%

Source: Chain Store Age/Leo J. Shapiro & Associates

Further research into the category shows two distinct segments of the business—decorative, wall clocks and table/alarm models.

MarkeTrends found that consumers prefer a wall clock if they are going to receive it as a gift. These clocks are viewed as a way to decorate or furnish a room. In the case of decorative clocks, consumers prefer battery operated quartz models. There is nearly a 2 to 1 preference for a dial or analog clock in the wall version.

Digital, however, is preferred for the bedroom where models are considered more functional than decorative. Consumers see table clocks and clock radios as bedroom equipment designed to keep consumers aware of the time or to wake them up in the morning. Because the consumer depends on these clocks, an electric plug-in or wind-up model is preferred by more than a 2 to 1 margin over battery quartz clocks. ☐

Can appliances kick rebate habit?

Face it . . . in the personal care business, consumers have come to expect rebates. Rampant rebating has created an environment where it is not uncommon for a consumer to buy a curling iron or brush with a rebate at a net cost as low as $5.

It is not just the consumer who has come to demand the refunds, but the retailer as well. Witness, for example, Black & Decker's plight when it attempted to curb rebating with its newly acquired General Electic items. These cash discounts were quickly reinstated when B&D discovered retailers were hesitant to give shelf space to an item without a rebate. Many others who have tried to stem a flow of rebates have quickly changed their minds when they saw they would lose precious shelf space.

Most small appliance manufacturers appear to be meeting the demands of the market. B&D shows no signs of exiting the rebate game. Sunbeam has doubled its program and Norelco squrces insist rebates are here to stay.

There is, however, one manufacturer deciding this is the year to start changing the rebate situation. Clairol, according to Michael L. Powell, director of marketing, believes consumers are ready to pay full price for personal care. Providing, that is, the product offers something truly innovative and needed.

Will buyers go along with Clairol? Powell thinks so. His proof is the trade's reaction to Clairol's new bikini line shaver called Bathing Beauty (now in stores selling for about $19.99).

"When we presented it to buyers," Powell recalls, "we had hardly anyone ask for a rebate. These are the kinds of items this category needs. These items not only bring shoppers into the store, but bring in personal care business in the summer, which is usually a slow period for the business."

Currently, about 50% of Clairol's items include a rebate. Powell admits that many products, particularly low-priced hair care items, will continue to require some rebates. Clairol, however, is moving in the direction of launching new products capable of selling without a refund.

"By doing so," Powell adds, "we can increase our advertising budget, which has been depleted because of the high costs of rebates."

After a few years in the market, Powell says, an item may need rebates to keep it alive. This is especially the case if the product gets knocked-off by other vendors. At this time, for example, the Bathing Beauty shaver has no rivals and requires no rebating. After a few seasons, Powell admits, the product may include a rebate.

He also concedes there are some personal care appliances which will always require some form of discounting. "Consumers are so spoiled when it comes to curling irons and brushes that we will probably continue to see rebating on those items."

Although buyers claim they have "heard the 'no rebate' tune before," many have faith that Clairol can break out of the rebate rat race.

If there is one challenge to conquer, they say, it is finding enough ways to revamp what are basically commodity products. If suppliers can devise new ways to perform standard tasks, the rebate war can be won.

One seasoned housewares retailer sums it up like this: "If they can keep making products with a genuine need, that's fine. When they stretch so far that a consumer has to pay extra for a hair curler to whistle a tune—that's going too far."

—Faye Brookman

Keeping pace with changing tastes is one of Curtain Country's strengths.

Fieldcrest full terry towels at $5.99, and a center spread focusing solely on curtains and draperies.

But choosing merchandise to fit into a rigid price point structure is not the way Berkell or his two buyers (one of whom is his mother) operate. He says, "We think of it [a curtain] in terms of an item. We buy it strictly on appeal, not on price point."

Moreover, curtains and draperies are less of a brand business than other home lines such as towels or small appliances. This makes them less price sensitive, for the most part, and helps keep gross margins healthy.

Berkell says his overall store gross margin is "a little less than a Bloomingdale's but more than the average discounter." *Chain Store Age* estimates it to be between 40% and 45%.

With such a high gross margin and little price sensitivity in those categories, Berkell doesn't bother to carry private label merchandise. But he is looking into importing as a way of increasing value, although his company doesn't have any programs set up to date.

Other reasons for the specialty store's success include quick reaction to customer's buying patterns, strong store presentations and good service. Curtain Country has a sophisticated computer system that tells management how many of each item sold in a particular day. "We're very sensitive to the rate of sales," says Berkell. For example, the company has increased its emphasis on vanity accessories when it saw how quickly this merchandise moved.

Additionally, Curtain Country responded to customer demand in bedding basics (which include mattress pads and pillows) by changing its strategy. Previously, the specialty retailer treated it as a day-in, day-out business, promoting merchandise occasionally. Now, Berkell says it's a bit more promotional with sharper sale prices.

Presentation, too, is constantly being evaluated. Always looking to improve store appeal, Country Curtain tests new display techniques at new stores.

"Curtains are funny," says Berkell. "We've tried all ways to display them. We've tried glass racks. We've tried gondolas and tables. But the best way seems to be the way we're doing it now."

Panels and priscillas are hung on walls in mini-vignettes. Curtains are displayed on mock window frames with bins attached. Where floorspace allows, coordinating bedspreads are placed on mock beds with matching curtains on false windows behind them.

Still, Berkell admits that a few classifications such as table linens and hard window treatments could be presented better. But space limitations (the stores average 6,000 to 6,500 sq. ft.) have forced him to narrow his focus and give the majority of space to primary profit-producing classifications such as curtains. Consequently, minor businesses (like table linens) have little room left for visual impact.

Hard window treatments, on the other hand, have been neglected somewhat in the past, says Berkell. A triangular fixture, housing sample mini-blinds and verticals from Levolor, is sandwiched between drapery hardware and shades in the back of the stores. Behind the displayer, on a shelf are supplier catalogs with color and fabric swatches. Although Berkell hasn't decided how it will change, he says Curtain Country will be expanding this category.

As for service, Curtain Country employs approximately 30 people per store. Berkell notes that the company insists on high visibility of salesmen because most consumers need help in choosing the proper size curtains and drapes.

In fact, the company has a written credo, says Berkell. It is: "If a customer asks where something is, thou shall not point—take them over to it."

It is this unique combination of service and merchandising savvy that propels the specialty retailer to new heights. Over the next few years, Curtain Country plans to open seven to eight stores a year (in malls and strip centers), filling in its current markets, in addition to growing its mail-order business (which currently accounts for less than 5% of the company's sales). By the end of 1985, Berkell projects the company sales to be $18 million to $19 million with 22 or more stores operating. ☐

Flannel sheets are cozy to consumers

Popularity of flannel sheets could protect retailers from having to promote the classification this winter.

Retailers can anticipate yet another good year for flannel sheets in 1985. A recent survey conducted by *Chain Store Age*/Better Homes and Gardens shows 20.9% of the consumers polled plan to buy these goods this year.

Nearly one-third of the consumers bought flannel sheets last year. Of those who made purchases, 49.3% have household incomes over $35,000 and 28.4% have incomes exceeding $50,000. This is a slightly more affluent group than those who had purchased conventional sheets in the past year.

The data indicates consumers may feel flannel sheets are a luxury, afforded to those with a greater disposable income. Actual retail prices

*Where consumers last bought sheets**

Outlet	Total	Income in excess of $25,000	Income in excess of $50,000
Department stores	67.4%	70.8%	63.7%
Discounters	38.1	34.4	27.6
J. C. Penney	31.4	30.5	29.8
Sears	24.0	23.9	17.3
Off-pricers	12.5	16.1	21.4
Montgomery Ward	8.9	8.2	7.1
Specialty stores	3.6	4.3	4.1

*multiple responses
Source: Chain Store Age/Better Homes and Gardens

Nine of 10 consumers polled were influenced by the warmth and feel of flannels.

bear out their thoughts. Last winter, flannels averaged $10 to $16 for twins while percale twins were regularly $7 to $14.

Moreover, 9 out of 10 consumers who have bought flannel sheets say they were influenced by the warmth and feel of the merchandise. Price was an important factor with just 20.9%. This runs contrary to attitudes about conventional sheets, where 7 out of 10 make selections based on price.

Keeping this in mind, retailers should not be quick to promote flannels this winter. This classification could prove a good hedge against deteriorating gross margins.

Conventional sheet purchases, on the other hand, are most influenced by price, probably because retailers have trained consumers to respond to sales. In fact, the survey shows 83.5% of those polled last bought sheets on sale. But more importantly, 82.7% say they always wait for a sale while another 14.4% say they sometimes do.

Interestingly, household income is not a factor in who waits for sales and who does not. The study indicates consumers with incomes in excess of $50,000 are just as likely to wait for a sale as the total group sampled.

*Type of sheets last bought**

Twin	37.4%
Full	36.7%
Queen	34.3%
King	18.9%
Waterbed	8.2%
Other	0.2%

(*multiple responses)
Source: *Chain Store Age/Better Homes and Gardens*

Pattern or style (52%) sways conventional buying decisions for sheets most after price. Fabric content was the next most important factor (43.2%), followed by color (39.1%) and brand (12.7%). So it comes as no surprise to learn consumers bought two and a half times as many pattern sheets as solid color ones.

However, it is surprising to see that most consumers still do not understand the word "percale." Answering with multiple responses, only 2 out of 5 defined the word as "180-threads or more." Approximately 36% said it meant "soft touch" and 25.2% said "high cotton-content."

Contrary to other industry reports, this survey shows there is little confusion between percale and 160-threads. Only 3.1% chose the latter as the definition of percale.

Three out of 10 consumers bought sheets in the past six months and another 26.4% made purchases within the past year. An additional 18.9% bought sheets within the past two years. As one might suspect, the more affluent the group, the more frequent the purchase.

Of those making purchases in the past six months, 56.8% have incomes in excess of $25,000 and 29.8% have incomes that exceed $50,000. This compares with 50% of those making purchases in the past year who have incomes exceeding $25,000 and another 22.7% who have incomes over $50,000.

But even though the majority of consumers have bought sheets in the past 12 months (56.8%), nearly 1 out of every 4 last made a purchase more than two years ago. Their income does not differ drastically from the group that made purchases within the past 12 months (2 out of 3 have incomes in excess of $25,000 and 1 in 5 exceeds $50,000).

The last time consumers shopped for sheets, they bought twins, fulls and queens in an almost equal ratio (see chart). Kings were purchased at half the rate.

Additionally, 8.2% of the consumers last bought waterbed sheets. Surprisingly, this group had the greatest percentage of older consumers. Approximately 82% were between 25 and 54 years old, but more specifically, 50% were 35 to 49 years old.

Lastly, 2 out of 3 consumers last bought sheets at department stores while 38.1% made their purchases at discounters. Another 31.4%—almost as many who shopped all discounters—bought sheets at J. C. Penney.

Sears shoppers comprised 24% of the group and Montgomery Ward, 8.9%. Off-pricers garnered 12.5%.

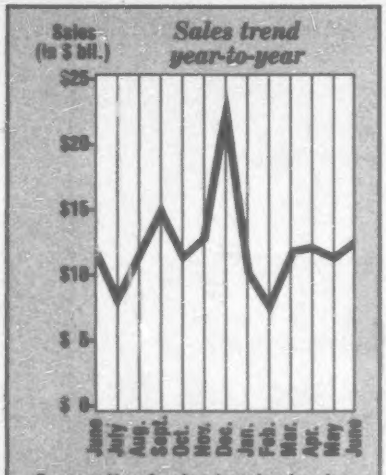
In general, high income consumers went to department stores more than those with lower incomes. These consumers frequented discounters Sears and Penney more than higher income shoppers. ☐

This study was conducted through the mail last April by *Better Homes and Gardens* for *Chain Store Age*. The sample size was 417 people.

Belt-tightening may squeeze sales

The 26 chains tracked by *Chain Store Age* posted a 5.5% sales increase in June, and for the five-month-old fiscal year volume stands 7.9% ahead of last year. Year-to-year sales comparisons will be easier for the rest of 1985 as figures will be going up against last year's weak second half.

Few, however, are predicting a boom. Consumers have run up historic high levels of personal debt and may be too leveraged to keep up even their current buying level. According to Woolworth president/ceo Harold Sells, predictions of 6%-8% gains for major retailers in the remainder of 1985 will prove "too optimistic."



Composite of sales trends showing month-to-month sales volume for the 25 retail companies tracked by *CSA*.

For the second consecutive month, all of the Big 3 catalog chains posted sales drops. Ward volume slipped 5.6%. Sears and Penney both turned in sales 1.5% below last June. At Penney, same-store results were down 2.1%.

Among the department stores Carter Hawley Hale's 8.9% comparable-store increase for its department store division led the pack. Federated's results edged up 5%, while May Co.'s department store division posted a 4.2% comparable-store increase. R. H. Macy sales volume for June held even with last year's performance, but same-store results dipped 1.5%.

Discounter giant K mart recorded an 8.4% sales gain for the month, but June will be the last period the discount operator will benefit from comparisons to last year's figures which did not include sales from Waldenbooks. Comparable store figures for K mart in June were down 1.3%.

May Co.'s Venture discount stores reported sales up 13.4% for the month, while comparable-store figures increased a more modest 6.2%. Federated's Richway and Gold Circle discount operations saw sales drop 4.5% in June. Dayton Hudson's Target division posted a 10% gain.

Rocky Hill, Conn.-based Ames reported June sales increasing 67% for the month and 35% for the year-to-date. Included in the Ames figures for both the month and the 22 week period are $47 million of sales from the recently acquired G. C. Murphy Co.

June sales up a modest 5.5%

		June sales*		Stores		5-mo. sales*		
Major chains	% change	1985	1984	1985	1984	1985	1984	% change
Sears[1,8]	− 1.5	2,170,878	2,204,853	796	810	9,114,779	9,085,246	+ 0.3
Penney[8]	− 1.5	1,096,000	1,113,009	1,992	2,015	4,549,000	4,517,000	+ 0.7
Ward[1,7]	− 5.6	517,000	547,900	364	367	2,185,900	2,219,700	− 1.5
Federated[1,7]	+ 4.0	707,300	679,800	468	463	3,054,500	2,877,700	+ 6.1
Dayton Hudson[7]	+ 10.6	750,673	678,503	1,146	1,103	3,116,481	2,731,487	+ 14.1
May Dept. Stores	+ 9.5	445,800	407,100	1,941	1,635	1,900,100	1,711,100	+ 11.0
R. H. Macy	+ 0.1	389,300	388,700	95	93	1,667,400	1,602,100	+ 4.1
Associated Dry Goods	+ 3.9	394,400	379,600	340	325	1,655,000	1,507,000	+ 9.8
Allied Stores	− 0.9	343,900	347,100	616	581	1,537,300	1,495,100	+ 2.8
Carter Hawley Hale[7]	+ 10.3	345,000	312,800	282	252	1,461,200	1,321,000	+ 10.6
Mercantile	+ 12.0	154,520	137,907	79	78	685,706	614,607	+ 11.6
K mart[6]	+ 8.3	2,134,200	1,969,600	2,173	2,158	8,933,900	7,890,700	+ 13.0
Wal-Mart	+ 21.0	641,000	531,000	779	674	2,950,000	2,268,000	+ 30.0
Woolworth[8]	+ 5.0	325,200	309,700	N/A	N/A	1,408,000	1,303,000	+ 8.1
Household Merch.[2,3,7]	+ 5.9	519,206	490,181	3,570	3,717	2,232,306	2,132,296	+ 4.7
T.G. & Y.	− 0.5	184,856	185,841	740	776	1,897,956	1,827,956	+ 3.8
Zayre[4]	+ 22.0	331,900	272,600	907	784	1,395,900	1,158,700	+ 20.0
Bradlees	+ 7.0	138,000	129,000	132	128	526,000	492,000	+ 6.9
Rose's	+ 2.5	70,888	69,128	197	191	380,353	348,072	+ 9.3
Ames	+ 67.4	141,300	84,400	567	N/A	405,100	301,000	+ 34.6
Jamesway	+ 9.3	51,458	47,069	85	78	194,520	168,801	+ 15.2
Heck's	+ 9.3	44,700	40,900	126	122	192,500	181,700	+ 5.9
Melville[7]	+ 12.0	438,500	392,900	5,412	5,757	1,836,700	1,650,355	+ 11.3
Tandy	+ 5.7	213,837	202,306	N/A	N/A	1,079,365	1,031,408	+ 4.6
Edison Bros.	+ 5.7	71,000	67,200	N/A	N/A	388,200	411,400	− 5.6
The Gap	+ 19.8	49,600	41,400	630	575	198,500	172,900	+ 14.8
Circuit City	+ 42.9	48,300	33,800	97	N/A	210,700	153,000	+ 37.7
Total & Averages	+ 5.5	12,533,860	11,878,447	—	—	53,259,410	49,345,372	+ 7.9

*000 omitted. N.C. = no change. N/A = not available.
[1] Store number for full-line outlets only. [2] Includes 2,651 franchise stores (vs. 2,769 a year ago). [3] Includes T.G. & Y. sales. [4] Includes 323 Zayre stores (vs. 276 a year ago), 416 Hit or Miss stores (vs. 376) and 168 T. J. Maxx stores (vs. 135). [5] Excludes supermarket sales. [6] Store count is for K mart stores only. [7] Continuing operations only. [8] Domestic operations only.

ADVERTISERS' INDEX

Anderson Company	19
Brother International	10-11
Canon Camera	6
Clopay Corporation	2
Coats & Clark Inc.	61
Cotter & Co V&S	51
Duraco Products Inc.	44
Eastman Kodak Company	28
Eureka Company	38
Fellows Manufacturing Company	4
Fuji Photo Film	21
Gardena Watering Systems	75
Halsey Taylor Structo	55
Hasbro Ind.	56
Kenny Window Fashions	48
K&M	69
Mattel	62
Metals Engineering Corp.	34
MV Enterprises	47
Nikon	66
Parker Pen Company	76
Petersen Manufacturing Co.	46
Piston Powered Products	22
Quasar Co.	26
Redi Form Office Products	71
Rugg Manufacturing Company	32
Southern Expo Mgmt. Company	53
Toshiba Batteries/Elmo Mf	8

This index has been compiled for the convenience of our advertisers and readers. While every precaution is taken to prevent mistakes, the publishers cannot be held responsible for errors or omissions.

CS150-7

Wrestling mania: merchandising The Hulk
CSA's Christmas picks

Chain Store Age

GENERAL MERCHANDISE TRENDS September 1985

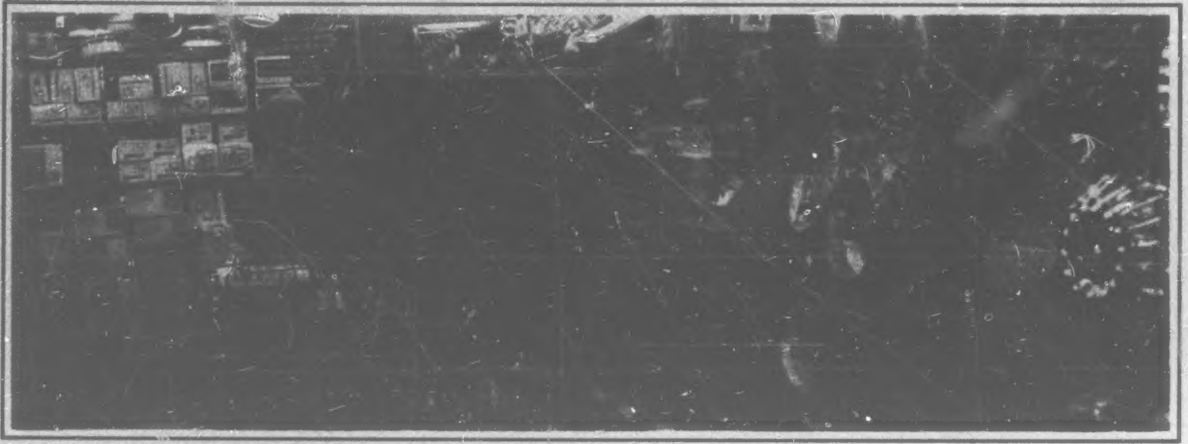
Squeezing more dollars out of VENDORS

Some vendors don't like it.
They say cutting deals
with discounters
used to be simpler.
But lately discounters
have been buying
more like department
stores, demanding
more ad dollars
and other allowances.

TWO DOLLARS PER ISSUE

CONTENTS

September 1985



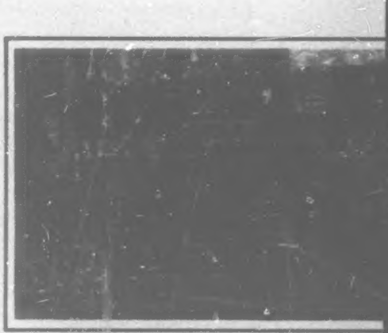
Vendors find *that the new breed of discounter drives a hard bargain* *17*

Industry Trends

The new look in small stores 19
East Coast Gimbels stores in a five year growth plan. 21
Christmas '85: Forecast for hot items 24

Consumer Electronics

Citizen Band radios staged for a comeback 29
Platt Music: Retailer as publisher 33
CE MarkeTrends: Boom boxes, car stereos, CD players 35



Linen Barn's *off-price success story* *59*

Housewares

Stores seek the edge on competition by offering cooking classes 45
Clocks: Fashionable or functional? 47
Housewares MarkeTrends: glassware, cutlery, air purifiers 50

Home Textiles

Is there really off-pricing in home textiles? 61
Shopping interest shifts to bedspreads 63
Nothing chintzy about chintz pillows 64

Toys

Mini-baby boom has yet to impact preschool toy sales 67
Competition heats up over preschool toys 70

Infant toys *rattle at T.G. & Y. 69*

Licensing

Wrestling: This Hulk's for sale 83

Photo/Camera

Maxxum sales, minimum supplies. 87

Sporting Goods

Bowling for dollars?. 89
How fit is fitness equipment? 90

Stationery

Gift wrap goes for the glitter 93
Classified Mart 98

CHAIN STORE AGE General Merchandise Trends (ISSN 0193-1350) is published monthly by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Retailers: $12 a year; three years, $32. Wholesalers, manufacturers, schools, libraries and all others: $20 a year. Foreign subscriptions: Airmail only, $100 a year. Single copy rate $2. Second Class postage paid at New York, N.Y., and at additional mailing offices. Vol. 61, No. 9. Copyright © 1985 by Lebhar-Friedman Inc. All rights reserved.

ALL CORRESPONDENCE should be addressed to Executive Offices, Chain Store Age General Merchandise Trends, 425 Park Ave., New York, N.Y. 10022. For a change of address, six weeks notice to Circulation Fulfillment Director, 99 Park Ave., New York, N.Y. 10157, is requested. Give old and new address and zip code. If possible enclose address portion from cover on previous issue. Postmaster: Please send address changes to *Chain Store Age*, General Merchandise Trends, Subscription Dept., 99 Park Ave., New York, N.Y. 10157. Member Audit Bureau of Circulations, Second Class Mail Publications Inc., and Magazine Publishers Association.

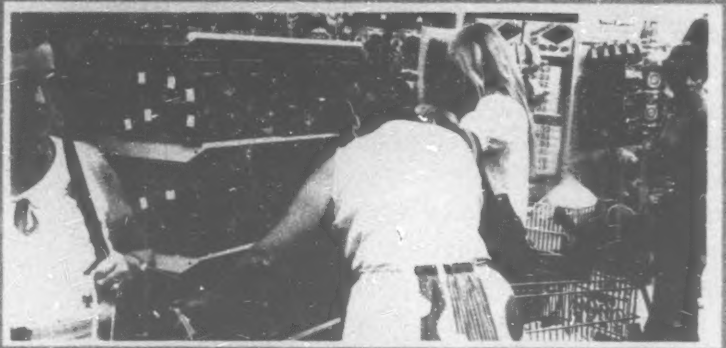
Copyright © 1985 by Lebhar-Friedman Inc.

New licenses show some sales muscle

The appearance at store level of merchandise representing 1985's major new licenses is beginning to reshape the toy business, according to *Chain Store Age*'s ongoing poll of toy buyers.

Although the same five licenses remain atop the poll, which measures the fastest growing properties and those showing the most decline in sales, sales of several new properties appear to be cutting into the market share of category leaders. Among the new properties garnering mentions in the most recent survey are Voltron, Wuzzles and Stomper Bully Monster.

The popularity of these items seems to be having its greatest effect on Rainbow Brite and My Little Pony. Rainbow Brite remains among the top five licenses, but it received fewer votes this month and even showed up on one buyer's list of the five most rapidly declining properties.


New licenses did not dent sales of enormously popular Transformers.

The list of licenses showing the most sales decline also remained virtually unchanged. The one major move on that list is Get Along Gang, which bolted up to the No. 2 spot, behind A Team and tied with Star Wars.

The CSA poll is sent to toy buyers at the top 100 general merchandise chains, including discount stores, department stores and specialty stores. Numbers listed in parentheses below indicate a license's place on last month's chart.

Showing most growth:
1. Transformers (1)
2. Masters of the Universe (5)
3. Cabbage Patch (3)
4. GoBots (2)
5. Rainbow Brite (4)

Showing most decline:
1. A Team (1)
2. Star Wars/Jedi (2)
3. Get Along Gang (5)
4. Knight Rider (4)
Strawberry Shortcake (3) ☐

Room to retail in Chicago's Loop

With suburban shopping mall development slowing considerably, interest in downtown retailing continues to grow.

A study done by Real Estate Research for Chicago recently found that the city's North Loop could suport up to 575,000 sq. ft. of additional retail space, provided that a department store could be secured as an anchor for the area. That optimistic assessment of the North Loop is due in part to the increasing success of retailers currently operating in and around the area.

"Many chains told us that their downtown Chicago stores were among their most profitable," says Ann Morrow, investment analyst with Real Estate Research. The firm studied some 30 downtown retailers, including Marshall Field, Carson Pirie Scott and Crate & Barrel.

The study also found that the type of retailers which would thrive in the North Loop would be upscale, contrary to many popular notions about the area. The area's potential would be greatest for apparel retailers, restaurants, and stores selling home furnishings.

"Chicago's residential base is growing, and the city's downtown has a large professional workforce," says Morrow. Both factors would make upstairs retailing most viable in the North Loop.

The redevelopment of the North Loop is expected to begin soon, but it will be at least three years before new retail space starts opening there.

Will less be more for May-Cleveland?

May Co.'s Cleveland division is reducing the amount of retail space it operates by leasing square footage in its stores.

Some 300,000 sq. ft. have already been leased in the division's downtown Cleveland store. Three floors of that store have been turned into offices being rented by a local bank and other businesses.

May is also putting up for rent some 65,000 sq. ft. of space in its University Heights store, where a 10,800-sq.-ft. restaurant will also be rented out; 20,000 sq. ft. in a store in Euclid Mall, and 20,000 to 30,000 sq. ft. in the store located in the Southgate Shopping Center. Another floor of the downtown store, representing 90,000 sq. ft. of space, is also for rent.

May currently operates 10 stores in northern Ohio. The average size of its stores there is 270,000 sq. ft., although the chain has said that were it to build stores today it would like them to be about 200,000 sq. ft.

In downsizing several stores May hopes to boost sales per square foot, which are running about $82 per square foot in the Cleveland division. That compares with sales per square foot of $106 throughout all of the 11 department store divisions operated by May.

CITIZEN BAND RADIOS POISED FOR

COMEBACK

Renewed interest in CB radios has electronics retailers pleasantly surprised. The new customer is more likely to drive a Saab than a pick-up truck.

A customer approaches the car stereo salesman at The Federated Group's San Jose, Calif. store, asks a brief question, then turns and leaves the store.

"That's frustrating, and it's happened a couple of times now," the salesman says. "You'd think that with the thousands and thousands of sku's in this store that we'd have at least one CB radio—we don't."

The heyday of the CB radio has come to an end. Citizen's Band made its debut in 1958, but it was the shock of 1973's gasoline shortage that spurred the market to its greatest heights. In 1976 retail sales soared to an estimated 11 million-13 million units.

A whole new lexicon grew out of the craze with CB enthusiasts creating colorful "handles" for themselves as they strategized over the airwaves on how best to avoid "smokey." Hollywood even romanticized CB's macho trucker image with stars like Kris Kristofferson in *Convoy* and Burt Reynolds in *Smokey and the Bandit*.

So many were turned onto the fad that the Federal Communications Commission was jammed with requests for CB operator licenses. The airwaves themselves were so filled with chatter that the FCC increased the number of CB channels to 40.

Then, as quickly as it all had started, the CB phenomenon screeched to a halt. When consumers stopped buying, more and more retailers opted to pull out of the business.

Those that stayed in reduced their commitment. Radio Shack, for example, which in 1977 carried a total of 11 CB models (not including walkie-talkies), has shrunk its assortment to seven units in its most recent catalog.

More women are buying CB radios now than ever before.

But despite the end of the craze, CBs have not yet been relegated to the closet along with the hoola hoop and the mood ring. Retail sales in 1985 will top an estimated $105 million with over 1.2 million units sold. Projections for 1986 estimate sales growing a healthy 20% to 1.47 million units.

While still a far cry from the boom days of a decade ago, more CB radios will sell at retail this year than will compact disc players, one of 1985's most watched and most touted products.

"It's a good business," says Radio Shack merchandising vp Robert Miller. "There's been growth, but not a boom."

Though industry estimates put last year's sales gains at under 10%, a number of retailers who have retained a commitment to the business are reporting gains of over 100%. Discounter Wal-Mart, electronics specialist Circuit City and Sears are all reported to be posting phenomenal year-to-year increases in the category.

In the last five years Sears has shown no indication of abandoning Citizen's Band. Its 1980 Fall/Winter catalog featured four Sears brand CBs and one Midland, ranging from $49.95 to $138.95.

In the 1985 Fall/Winter catalog, the retail giant continues to show five units opening at $69.99 and moving up to $149.99 at the top. The only difference is that Sears has dropped its private label CB from the catalog and now goes with four Midland units and a single Uniden model.

Second chance: After years of decline, the CB radio now seems poised to make a comeback, much to the relief of manufacturers that watched their sales drop along with declining consumer interest.

Over 3 in 4 customers in 1985 are buying CBs for safety reasons.

"I don't know many markets that get a second go around," says Midland vp marketing John Chass.

The reason for CB's rebirth, according to Chass, is a whole new marketing approach to the category which abondons CB's trucker image of the 1970's and seeks an entirely new customer.

Midland market research indicates that the CB's new customer has come a long way from the blue-collar consumer who led the boom a decade ago. In fact, says the research, the 1985 CB radio customer looks a lot more like the customer for a compact disc player or a video cassette recorder than he does the trucker who bought in 1976.

Of those who express an interest in buying a CB radio, the Midland research sample shows that 48.5% are white-collar workers. Average income totals a respectable $37,500, and 88% report an education at the high school level or above.

The potential market is still predominately male (79% to 21%), but even this represents a dramatic shift from the 1970's when men outnumbered women by a whopping 19 to 1. And of the men who purchase CBs in today's market, nearly 1 in 3 is now buying as a gift or for use by a woman.

For what many consider a mature product category driven primarily by replacement, one of the Midland study's most surprising results shows that 65% of all CB radio customers are not replacing older units, but are first time buyers.

The new CB customer: decidedly upscale

First time buyer——65%
White-collar worker——48.5%
High school or above——88%
Sex:
- Male——79%
- Female——21%

Prime use:
- Communications——20%
- Safety-related——79%

Source: Midland

What drives the new market?: Most in the industry cite a change in what consumers expect out of CB. The trucker who bought in the 1970's to communicate with other truckers is being replaced by a suburbanite who has little or no interest in communicating with other motorists—except, that is, in an emergency. Over 3 in 4 customers in 1985 are buying for safety reasons.

The new buyer may never listen to the colorful chatter of erstwhile truckers that fed the market a decade ago, but he—and increasingly, she—wants the security of being able to call for help over CB's police and volunteer monitored Channel 9 in case of a roadside emergency.

"It's becoming more like a spare tire than a communications device," says Midland's Chass. "You hope that you never use it, but you're glad to know it's there if you ever need it."

The changeover in marketing direction for CBs opens a broader, and potentially more lucrative, market for Citizen's Band. Industry estimates project that marketed solely as a communications device, CB radio's maximum household penetration would not top 20%, a total reached during the 1970's boom.

However, positioned as a safety-related device, industry projections are that maximum household penetration could eventually near 50%, creating a whole new growth path for Citizen's Band.

The marketing turnaround is already showing some effects. For the period between 1978 and 1983, rural markets showed the strongest sales. Now metropolitan markets again are beginning to turn in the greatest sales gains in the category.

And CB's positioning as a protection device has peaked consumer interest among another buying group left largely behind in the earlier go around—senior citizens. While the greatest interest in CBs is still centered in the 25-45 age group, the over 60 bracket now represents the second largest buying segment. Retailers using CBs on silver bonus coupon-type promotions are finding them effective.

New questions: Changes in the potential customer are raising new questions for retailers wishing to cash in both on the CBs new found growth and its 30% margins: where, when and how to merchandise Citizen's Band.

As to where CBs should be merchandised, major retailers are split. Sears puts Citizen's Band in its electronics department where it fits in neatly with the demographics of other high-tech products. Wal-Mart, on the other hand, merchandises CBs in automotive, where it can fully utilize the "spare tire" concept. Both make sense, and both are achieving success.

"Who am I to say that if Sears put CBs in automotive and Wal-Mart put them in electronics that they would do as well," asks Midland's Chass. "Why tinker with success?"

Though Citizen's Band is proving to be a year-round business, two months—June and December—take a disproportionate share for different reasons. Twelve per cent of sales come in June, while another 11.7% sell in December.

CBs bought in June are primarily used by the customer who actually buys the product, while December sales are usually as gifts for someone else. Advertising and promotion that distinguishes between the two seasons have proven effective.

How to merchandise Citizen's Band has also become a new question with the change in the consumer profile. For the new upscale customer the average $86 retail price tag falls well within the realm of impulse buying. To take full advantage, retailers will have to work out better programs with vendors that take CBs out from behind locked glass cases and still minimize shrinkage.

What's next for Citizen's Band? The introduction of style into design, for one. The new customer is more likely to be driving a BMW or a Saab than a 1973 Chevy pickup, and will be looking for a product with a design flare that fits an upscale image.

"With more and more women buying, maybe we should begin thinking about CBs in reds and pinks or yellows and blues," says Chase. Outlandish? Perhaps. But he is only half joking. ☐

Platt Music: The retailer as publisher

An innovator in marrying retailing and publishing, Platt's Arnone builds sales for his CE departments.

A Platt Music supplement promotes Tomorrow's World at Bloomingdale's.

The ability to steal a good idea, according to some, is at the core of genius. If you can steal an idea from yourself—and sell it—then maybe Einstein himself had better make room for yet another in the pantheon of geniuses. The newest candidate just may be Torrance, Calif.-based Platt Music's Francis Arnone.

While chairman/ceo at The Broadway Southern California, Arnone had an idea: Why shouldn't the Carter Hawley Hale department store create its own Sunday newspaper supplement?

Arnone's championing of his brainchild resulted in the birth two years ago of *The Broadway Is Southern California*, a weekly eight-page supplement to the *Los Angeles Times*, *The San Diego Union* and *The Orange County Register*.

The formula is simple enough: A four-color, fashion-oriented cover, six pages divided approximately one-fourth to breezy editorial, three-fourths to advertising and a four-color back page ad.

The simple idea has been a resounding success. The Broadway's market research shows that Arnone's original plan has worked, perhaps beyond his initial expectations. The supplement reaches a circulation that approaches two million southern Californians.

Research reveals a 76% readership for the magazine-type supplement ads—more than ROP ads get. In addition, consumers are keeping the supplement, and its advertising, for an average of two to three days after the publication date, according to The Broadway's research.

Controlled studies further indicate that products advertised in the supplement nearly always outperform the same products promoted by ROP.

Arnone left The Broadway for Platt Music, operator of leased consumer electronics departments in the May Co., Bloomingdale's, Emporium Capwell and Marshall Field.

Beginning Aug. 9 in some markets, and Aug. 11 elsewhere, Platt introduced its own weekly Sunday magazine supplement. The four-page, four-color magazine is called *Future Generation* (in New York, the magazine bears the title *Tomorrow's World*, corresponding to the name of Bloomingdale's electronics department).

Taking The Broadway's idea more than a step further, *Future Generation* appears as a magazine supplement to 35 newspapers in the far-flung markets in which Platt operates. The combined circulation is approximately 15 million, with a potential reach of more than 50 million readers.

"It's an ambitious project," says Platt's vp of marketing/promotion, Gerald Baggs. "It's the first time there's been such a focused advertising campaign by a retailer."

Unlike The Broadway's magazine, which promotes numerous departments in the store, *Future Generation* advertises only those products in Platt's lease-operated electronics departments.

Each of the initial issues has featured two regular columns and a third article which rotates among topics. The columns, State Of The Art and The Cutting Edge, report on consumer electronics trends and trends in movies, videos and other contemporary topics. Platt has promised its reporters complete editorial control.

The scope in size of the project is reflected in vendor response, says Baggs. He reports that many manufacturers are devoting co-op dollars from their national, not local, advertising budgets for the project.

"It's our first significant competition. And it will be interesting to watch," says Karen Anderson, editor at *The Broadway Is Southern California*. "It's a little like Platt has become [publishing magnate] Rupert Murdoch."

Though it is still too early to tell if Platt's magazine will prove as successful as The Broadway's, Baggs is optimistic. "We look at history as a collection of mistakes and successes," he says. "We'd rather follow the successes." ☐

BOWATER PAPER COMES WITH GIFTS

Bowater gives your customers the finest 9½x11 computer paper AND a CHRISTMAS WINDOW ORNAMENT with our 500 and 1000 sheet SHOW & GO brand. The stain glass looking ornament hangs in a window and provides any home or office a touch of Christmas spirit.

BOWATER's PAPER & FILES is an excellent line of gifts because they give both fine quality 9½x11 computer paper AND A PORTFOLIO ORGANIZER with 5 tabs and 500 sheets . . . a DESK TOP FILE with 10 tabs and 1000 sheets . . . or, a sturdy SLIDING DRAWER FILE and 2900 sheets of 20 pound bond computer paper.

DON'T MISS OUT ON CHRISTMAS SALES. BOWATER GIVES YOU MORE THAN JUST COMPUTER PAPER.

BOWATER
BOWATER COMPUTER FORMS INC.
800/527-3412 outside Texas
214/578-2000
P.O. Box 869020 · Plano, TX 75086-9020

Video customers want better sound, too

Sales of stereo televisions will grow from an estimated $371 million this year to $4.1 billion in 1990, according to Venture Development Corporation, a Natick, Mass.-based market research firm. Hi-Fi video cassette recorders will also be in on the boom, growing from a $200 million industry in 1985 to $2.4 billion in the next five years.

According to a recent study by Venture Development, the introduction of stereo broadcast television has the potential to dramatically change the market for conventional audio and video products. While the market research firm expects the greatest increases for stereo TVs and Hi-Fi VCRs, also tagged for growth are audio/video receivers, component video systems and integrated audio/video systems.

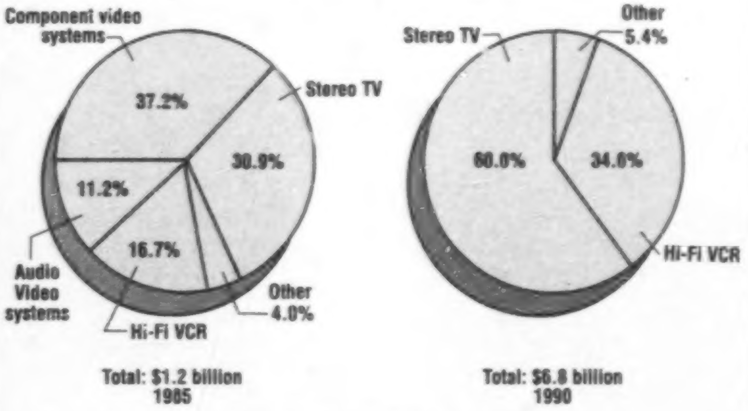
The total market for all home audio/video equipment, both stereo and mono, will grow at an average rate of 37.8%, from $10.4 billion in 1985 to $51.8 billion in 1990, according to the report. Within this market, though, stereo video products will show the most rapid sales growth.

Only 4.3% of televisions shipped to dealers this year will be stereo TVs; however, by the end of the decade Venture Development projects that stereo TVs will account for about one-third of all televisions sold.

The challenge in the 1980's, says the market research firm, is limited availability of stereo TV programming in selected television markets, making viewers reluctant to purchase stereo TV receivers in the face of little or no broadcast programming.

Stereo video to top $6.8 billion in 1990

Stereo video market share by product



Source: Venture Development Corporation

Luskin's increases Ohio penetration

Cash-rich from a public offering, Luskin's, the Baltimore-based chain of specialty electronics stores, is expanding rapidly into Ohio.

The chain plans to open five new Ohio stores, including two in Cleveland, two in Akron and a single unit in Canton. That will give Luskin's 11 Ohio stores. It already operates six in Cleveland.

Luskin's remains primarily a mid-Atlantic retailer, even with the proposed Ohio openings. The chain operates 26 stores in the Baltimore-Washington market, including a new consumer electronics, major appliance outlet in Manassas, Va. Its next store will be in its home city, Baltimore, where it is opening a unit in the city's Security Mall.

Electronics shopping intensifies

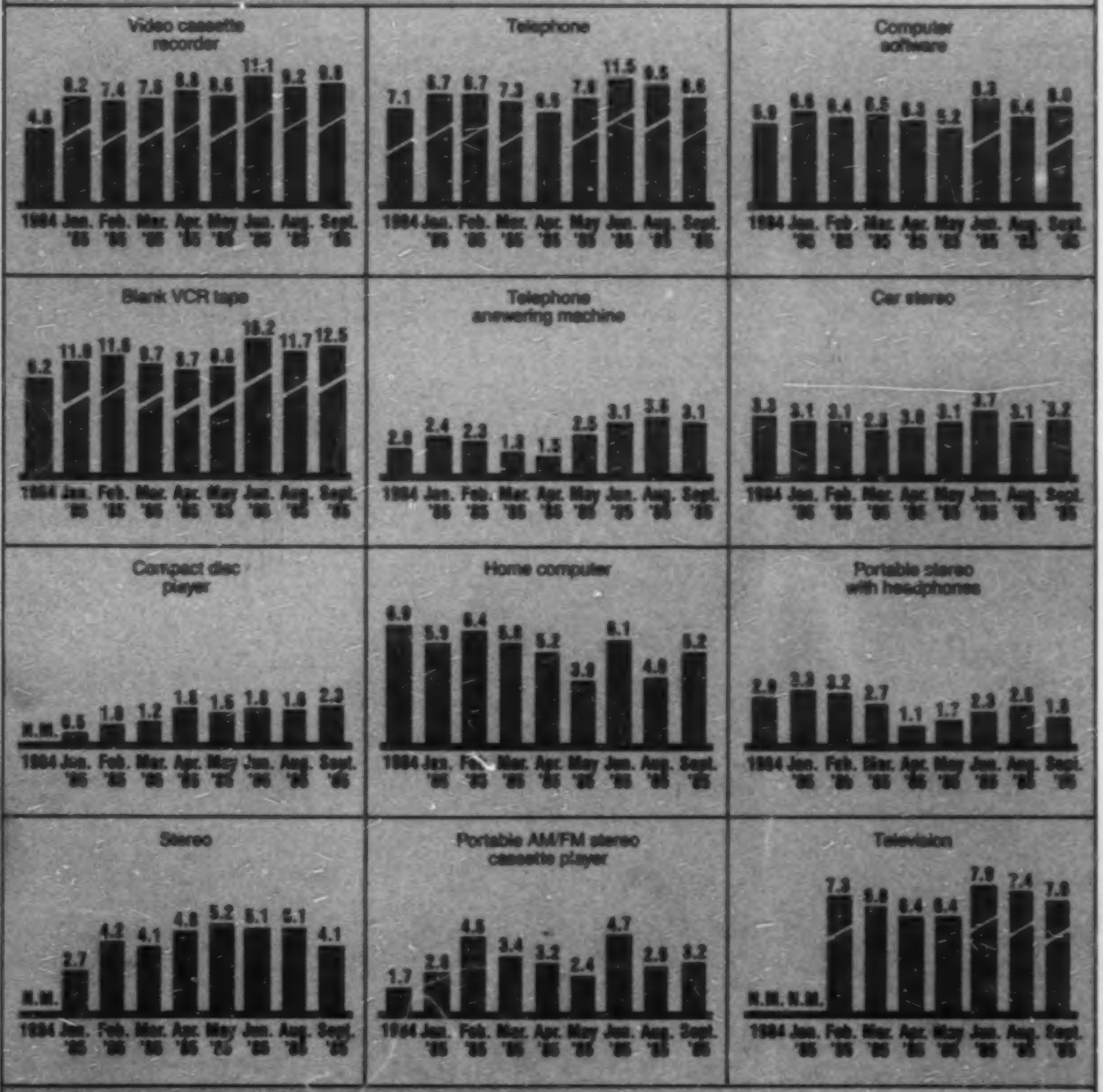
Consumers are shopping like there is no tomorrow. For 9 of the 12 electronics products tracked in the September MarkeTrends survey, the number of households actively shopping has grown. In an increasingly competitive and price promotional atmosphere, however, there may virtually be no tomorrow for last year's margins.

Eight out of 10 households that expect to buy a video cassette recorder in the next year report they have been actively shopping in the last month. According to the MarkeTrends poll, nearly six million households—a number almost equal to all of 1984's sales—say they are now actually shopping for a VCR.

For computer software, headphone stereos, televisions, compact disc players and telephone answering machines, more than 2 in 5 households that say they expect to buy in the next year also report that they have begun shopping in the past month.

Over 1 in 2 consumer households that say they anticipate buying stereo systems and home computers in the next 12 months say they have taken some initial steps toward their purchase in the last 30 days. ☐

*Consumer Buying Intentions**



*% of households might buy

N.M. = Not measured

Source: Chain Store Age/Leo J. Shapiro & Associates

Car stereo sales sound pretty good

Car Stereo
Sound Center
KRACO

Better sound is what consumers are willing to pay for in car stereos.

Discounters are stealing car stereos—not by cover of night with burglar's tools, but quite legitimately by grabbing an increasing share of the auto stereo aftermarket. In only 13 months discount outlets have upped their market share 73% from 8.8% of units sold in the August 1984 MarkeTrends poll to 15.2% in the most recent study.

Also posting gains are car audio specialists, which increased their share of unit sales from 13.8% to 17.4%, and department stores, which grew from 1.3% in 1984 to 4.5% in the September MarkeTrends survey. The gains come at the expense of A-V specialists, which have seen their market share fall from 45.3% to 38.2%.

Consumers may be buying car stereos with increasing frequency at discount outlets, but that doesn't mean that they expect to pay any less. In fact, price expectations for those who intend to buy have actually jumped from a $150 median 13 months ago to $350 in the latest poll.

Better sound is what consumers in the survey say they want in a new auto stereo system. Also an important feature: the ability to play cassette tapes.

Price and discount are the most important criteria consumers use in choosing a store to shop for an auto sound system. But selection, guarantee and past satisfaction prove more important to consumers choosing an outlet for a car stereo than when selecting an outlet to buy other electronics products. ☐

Where did you buy your last car stereo?*

	Aug. '84	Sept. '85	% change
Discount store	8.8%	15.2%	+ 73
Sears, Penney, Ward	8.8	8.4	− 5
Department store	1.3	4.5	+246
Catalog showroom	2.5	2.2	− 12
A-V specialist	45.3	38.2	− 16
Car audio specialist	13.8	17.4	+ 26
Other	19.5	14.1	− 28

*Market share by units
Source: Chain Store Age/Leo J. Shapiro & Associates

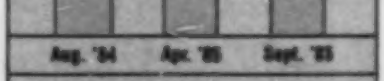
Discounters get a handle on boom boxes

General merchandise chains have strengthened their hold on the boom box market, making it one of the few electronics categories GM'ers own more than half of unit sales.

According to MarkeTrends research, discount outlets sold 23.6% of boom boxes in the last year, with K mart alone selling 6.1% of the total. Sears, Penney and Ward combined to take a 21.1% share, while full-line department stores took another 10.9% of unit sales. Catalog showrooms sold another 8.9% of boom boxes in the last year, according to the survey.

Along with the shift of share into general merchandise chains has come a dramatic drop in consumer price expectations. In August 1984 those intending to buy a boom box anticipated paying a median $150 for their new portable stereo. By the April 1985 poll, consumer price expectations had dropped to $135. In the most recent survey, those interviewed anticipate paying only $100.

*How much do you expect to pay for a boom box?**



*Median price
Source: Chain Store Age/Leo J. Shapiro & Associates

Just who is buying boom boxes has also changed. The latest MarkeTrends survey reveals that, unlike most electronics products, the group who may buy or have already bought a portable stereo is nearly equally divided between men (50.8%) and women (49.2%).

Retailers attribute the relatively high number of female boom box shoppers to the introduction of slimline and colorful models. To satisfy the needs of female shoppers, retailers say they are adding anywhere from three to six sku's of the colorful and compact boxes to the average mix of 20 units. The demand for these models has been especially strong on both coasts (Caldor has sold colored boxes for two years) and is now spreading to all markets.

Panasonic and Sony are the brands most frequently cited by consumers, followed by name brand (not specific), General Electric, store brands, and Zenith. ☐

Not enough CD players around?

Will there be a shortage of compact disc players this Christmas? According to *Chain Store Age* MarkeTrends research, an estimated 1.5 million households report they might buy a CD player within the next year. Of those, a whopping 600,000 households say that they have done some shopping in the last 30 days.

More people have been shopping for a CD player in the last month, says the study, than have been shopping for either personal headphone stereos or boom boxes. Also, the number actively shopping nearly equals those in the market for car stereos, telephone answering machines and stereo systems.

How much do you expect to pay for a CD player?*

Under $200	8.1%
$200-$299	13.1%
$300-$399	29.9%
$400-$499	21.3%
$500 and over	28.0%

*Asked of those who might buy in the next year.
Source: Chain Store Age/Leo J. Shapiro & Associates

If consumers turn their interest in buying a CD player into actual purchases at the same pace, the industry may be hard pressed to supply the demand. A shortage could restore margins slashed in this year's flurry of price promotions.

The price consumers expect to pay for a CD player continues to drop. In the most recent MarkeTrends poll, the median amount consumers expect to pay is $350. This compares to the $400 they anticipated spending six months ago, and the $510 average a year ago.

Audio and electronic specialty stores capture the largest market share in units sold, but the MarkeTrends survey reveals a surprising candidate in second place. More consumers report having bought a CD player at Sears than at department stores and discounters combined.

Sony maintains its lead as the brand most desired by those who say they might buy a CD player in the next year, followed by name brand (not specific), Panasonic, Sanyo, Fisher and Kenwood. ☐

Thinking like a retailer

There is currently a popular syndicated television program called *Fight Back!* which is designed to appeal to the gadfly lurking in all of us. The host of the show examines manufacturer claims and then challenges manufacturers when something goes wrong with their products. Sometimes I find myself doing just that.

Here is what happened not long ago. When I disconnected the headset from my telephone (do not ask me why I did it, consumers do many things never intended by the manufacturer), I discovered that I had also inadvertently erased all the numbers stored in the phone's auto-dialer memory.

No problem. I figured I would just re-enter the numbers, and once again I would be happily dialing away. I thought I remembered the procedure for entering numbers into the auto-dialer. I tried, and as it turns out I did not remember correctly.

No problem. I figured that I would find the instructions somewhere on the telephone itself. They were not there.

No problem. The manufacturer must have a consumer hotline number listed on the phone. I looked. It was not there.

No problem. I would be seeing the company's president in a few days. I would ask him for some help. He was quite gracious.

"Did you save the instructions that were packed in the box when you bought the phone?" he asked. I had to admit that I had not, or if I had, they were now hopelessly lost in the bottom of a drawer.

He thought for a moment. "Well, then," he said, "you could have called us." I complained that no telephone number was listed on the phone.

"Our address was listed," he said. "You could have looked up our number in the book or called directory assistance."

I was flabbergasted. By now the president had transferred all of *his* and *his company's* responsibility onto me, the consumer. It was a little like the doctor blaming the patient for being sick.

What happened here was that the manufacturer was caught thinking, well, like a manufacturer. He had built a reasonably good product and had forgotten that his responsibilities went any further.

In contrast, last month when I talked to Radio Shack's vp merchandising Bob Miller about a new product introduction, he was proud of the way the Tandy company had thought out potential problems ahead of time. "We thought this one out like a retailer, not like a manufacturer," he boasted.

And that is precisely the point. Simply put, manufacturers have to make a greater effort to think like retailers. Building a quality product is just not enough.

Retailers bear the lion's share of consumer questions and complaints. More often than not, it is the merchant who takes the heat when a customer is dissatisfied with a product.

Maybe if the telephone manufacturer in the story above had thought more like a retailer, then my dissatisfaction could have been easily avoided. On the other hand, maybe if the retailer who sold me the telephone had thought more like a consumer, he would have suggested some changes before he bought the product in the first place.

What we all need to remember is that it is still a three-way street: vendor, retailer, consumer. And catering to the needs of the last part of the equation—the consumer—always was and always will be the key to success.

—Rick Gallagher

not require a sale to spur movement. "About 90% of our housewares volume is usually done at sale prices . . . only 10% of this volume [cooking school related goods] is generated at reduced prices."

Paul Benyak, J. C. Penney's retail marketing manager for home furnishings, adds that Penney's 9,000 yearly microwave cookware classes usually result in additional microwave accessory sales of $70 per student.

The down side: Cooking schools can produce too much red ink for some retailers to bear. Rich's in Atlanta, for instance, recently shuttered its cooking school in order to devote the space to other ventures, says a representative of the store.

***Students at La Belle Pomme** get to sample while learning to prepare dishes.*

Indeed, the space needed to successfully stock a school can be prohibitive. The Home Market, a specialty chain in New York and New Jersey, recently switched from a full cooking school to occasional demonstrations because of a lack of space.

Then there are start-up costs, industry experts add, that range from $5,000 for a small school to $40,000 for a fully stocked operation.

"You have to realize that most merchants look at those costs and realize they will not have any concrete proof they are getting any return," says one observer.

In most cases, cooking school success can not be duplicated in suburban units so the costs are not spread throughout a chain.

Are the schools worth the expense?: That depends, like any other retailing venture, on the store's commitment to the concept. When executed properly, cooking schools can supply the prestige and image needed to keep shoppers coming to department stores. ☐

Clocks: Fashionable or functional?

Retailers have a problem with merchandising clocks: Stick with the old, or chime in the new?

At Chicago's Carson Pirie Scott's Level 6 housewares department, European-inspired clocks are given a prominent fashion presentation on hanging grid displays.

In contrast, the clock section at Gottschalk's in Fresno, Calif., is a perfect example of a tightly merchandised array of traditional travel, wall and anniversary clocks.

These examples highlight the two paths retailers are taking to preserve volume in the mature, 32-million-unit (estimated $800 million) clock category. Indeed, the dilemma facing today's retailer is whether to venture deeper into the new fashions or stick with the proven sku's.

For many, the move to contemporary clocks represents the only way to squeeze greater sales out of the stagnant category. The introduction of contemporary styles—Memphis-inspired, grid patterns, metallics, updated schoolhouse and bright colors—is really the only new trend to hit the category since quartz technology emerged a few years ago.

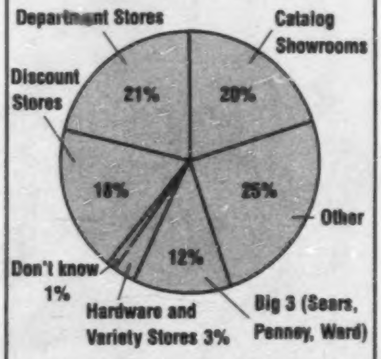
Bill Vogt, president of Springfield Instrument (a division of Sunbeam), believes contemporary clocks will stir up sales in late 1985 and early 1986. "Our lines will be about 50% contemporary," Vogt predicts. "Those who do not go that way are sitting ducks."

But the gamble, according to retailers, is determining how much more space the clock department can support in order to carve out room for additional sku's.

In order to make a strong fashion statement, buyers say, they must carry at least 36 sku's. Despite clock margins as high as 45%, some retailers do not think the returns per square foot warrant that much space.

Are sales heating up? "It has not been the most exciting business out there," says a K mart source flatly. Adds Herb Cheng, president of Equity Industries, "Business for the first six months has been disappointing."

Where consumers purchase their wall clocks



Source: Spartus/Waltham

Cheng believes, however, retailers have now worked their way through excessive inventories stored since 1984 and are ready to gear up for a zesty Yule. Recent research by *Chain Store Age*/Leo J. Shapiro & Associates supports his view. Intentions-to-buy a clock within the next 12 months among the households surveyed increased from 2.6% in August, to 3.4% in September. This is the highest intention-to-buy response registered for clocks since early 1985.

"We are definitely seeing a surge of interest at the buyer's level," confirms Charles Kriete, general manager marketing for Seiko. "It is exciting again."

What has made the market vibrant is a rekindled commitment on the retailers part to pursue the business. Bullock's, J. W. Robinson, Lechmere, Caldor, and Best head the list of retailers putting a greater emphasis on the category by creating full line departments.

"This helps," says Anthony Rodriguez, vp and general manager for Bulova Clocks Division, "because clocks don't have an identity. They are an impulse item and have to be displayed or sales get lost."

The desire to inspire more impulse and gift purchasing of clocks was behind Sears' relocation of clocks from a small stand near jewelry, to its own area near housewares in Stores of the Future, confirms a Sears spokesman.

Getting clocks into other rooms: These efforts should help convince consumers they need clocks in rooms other than the kitchen or bedroom. Kitchen models, however, remain the top movers.

Research from Spartus Corporation shows that 77% of all clock placement in the home is in the kitchen. The survey, of over 1,000 households, reveals that the average home has 2.1 clocks (not including mantel, alarm or grandfather versions).

According to Marvin Feig, vp sales and marketing of Spartus, the research hammers home the importance of fashion models. In the study, styling was the most highly rated attribute in purchasing a clock. Styling outscored quality, price and brand name.

Yet there is another side to the clock story: Retailers, particularly those in Midwest markets, are not convinced their customers will opt for styling over function. Denise Dickmann, a spokesman of Indianapolis-based Danners, for example, says her chain's 3-D discount stores fare better with a basic traditional assortment.

A buyer for Rocky Hill, Conn.-based Ames agrees. Ames sticks with a basic selection from Elgin, Spartus and New Haven. Clocks, the buyer adds, are often promoted at Ames at price points under $20.

Adds another source, "Our customers just are not ready for a clock without hands or numbers—who can tell what time it is?"

Many say they believe most homes are still decorated in traditional, Early American styles. Research from Spartus, however, reveals that consumers are almost equally split between Early American/Colonial looks and contemporary. Forty per cent of those surveyed said their living rooms were decorated in Early American; 38% indicated their decor was contemporary or modern.

Still, some retailers would rather devote time to more productive areas. Concludes Lamston's Sally Mogaverao, "It just is not that big of a business for us." □

The Best Service in the Business Makes Good Business Scents.

Ever try to sell a perfume you didn't have in stock? Not easy is it?

In fragrance retailing, like any business, it's important to have a supplier who delivers. Promptly. Reliably.

Anything less does not leave you smelling like a rose.

That's where Designer Fragrances comes in.

We're in business to provide the fine fragrances you need, when you need them. A little or a lot. On time. No broken promises. No excuses.

Doing just that has made us a hit with customers all across the country. And we can help you enjoy the same sweet smell of success.

So call Designer Fragrances toll free at 1-800-255-9209. For dozens of cases or a simple small order. You can depend on us.

Designer Fragrances.
We make good business scents.

designerfragrances®
Good Business Scents
P.O. Box 529 Addison, Texas 75001
(214) 248-1651 Outside Texas call toll free 1-800-255-9209

Housewares sales look crisp for fall

September brings good news to the housewares industry. After a sluggish summer, housewares sales should start perking up in the fall, according to the latest intention-to-buy figures gathered by *Chain Store Age*/Leo J. Shapiro & Associates.

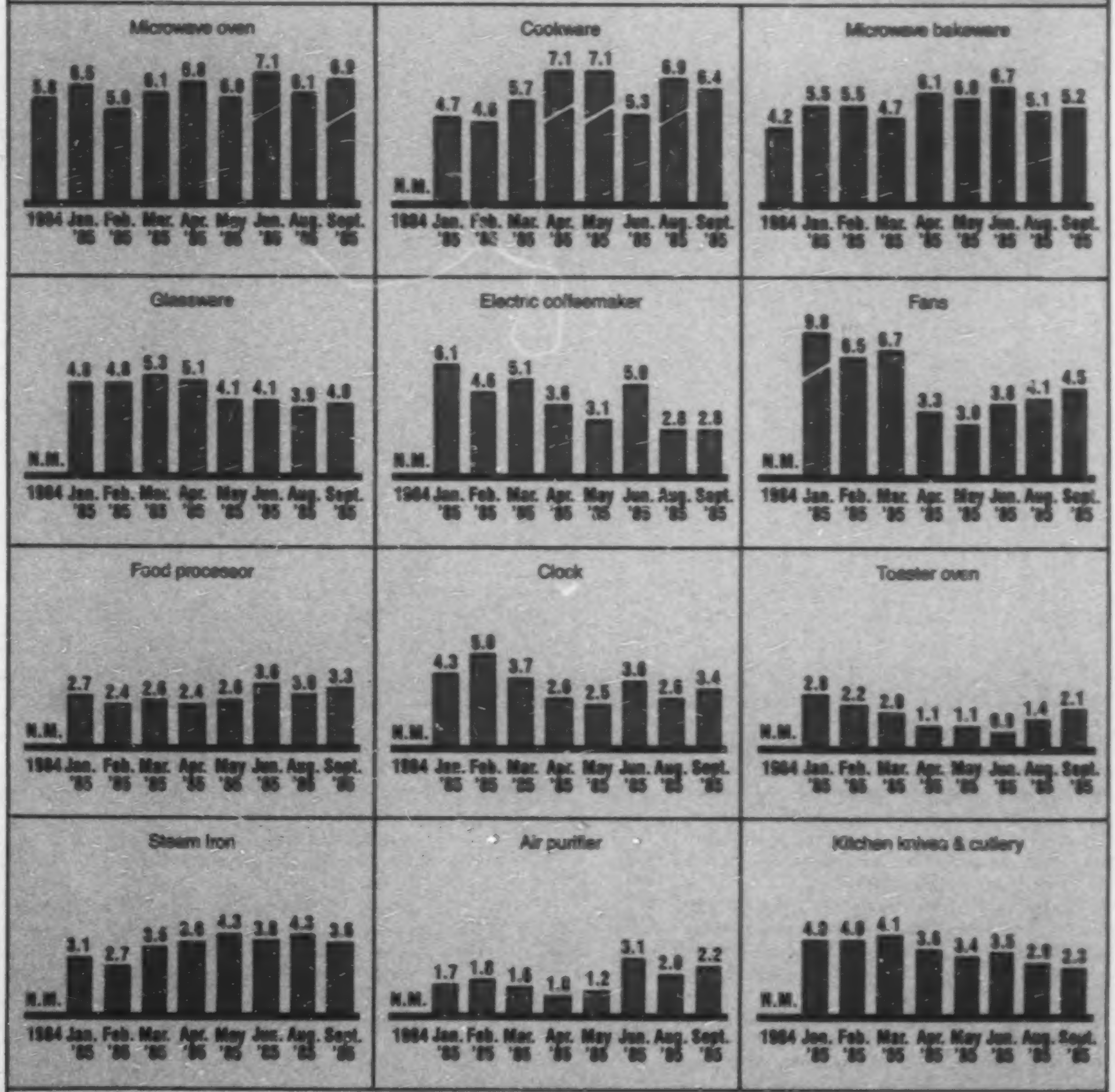
Eight of 12 tracked categories showed an increase in intent-to-buy. This is a notable contrast from last month when seven classifications exhibited a decline.

This month, only three areas—cookware, steam irons, kitchen cutlery—showed a downturn in buying intentions. Plans for purchasing an electric coffeemaker proved the same as last month's survey.

Microwave ovens remain high on shopper's lists with 6.9% of the households interviewed expressing an interest in buying one. Other strong growth categories, according to MarkeTrends, include clocks and toaster ovens. Retailers welcome the news that shoppers are still in the market for toaster ovens—despite the overwhelming popularity of microwave ovens.

The category showing the greatest decline in intent-to-buy is kitchen knives or cutlery. Retailers attribute this to their new strategies designed to move away from price promotions in favor of sales generated via cutlery demonstrations.

*Consumer Buying Intentions**



*% of households might buy

N.M. = Not measured

Source: *Chain Store Age*/Leo J. Shapiro & Associates

Glassware shoppers turning fickle

HOME FOR THE HOLIDAYS

Consumers are becoming more concerned with price in the glassware category.

Consumers in the market for glassware keep retailers guessing. In the most recent MarkeTrends research from *Chain Store Age*/Leo J. Shapiro & Associates, a significant portion of glassware shoppers were planning to spend under $10.

This is a contrast to the last time MarkeTrends tracked the category in April. At that time, shoppers were more willing to trade up, and 31.2% indicated they planned to spend between $11 and $35.

What brand of glassware would you buy?*

Libbey	22.2%
Store brand	18.5%
Waterford	5.6%
Anchor Hocking	1.9%
Lenox	1.9%
Princess House	1.9%
Other	48%

*Based on all who mentioned a brand
Source: *Chain Store Age*/Leo J. Shapiro & Associates

Now that customers are becoming more concerned with price in this category, discounters are gaining favor as the outlet these customers think of when they plan to purchase glassware.

In the research, 38.4% indicated plans to buy at a discount store. That is up from 31% in the April research. Department stores are the next most popular outlets, the shoppers report, followed by the Big 3: Sears, J. C. Penney and Montgomery Ward.

Although glassware sets continue to be popular, most households questioned by *CSA* (66.7%) prefer to buy individual pieces. This helps fuel the need for programs such as Anchor Hocking's new Beverageware System. It also proves that discounters are on track with moves to upgrade departments to include open stock. ☐

Cutlery sharpest on special occasions

With the decline of the nightly family dinner gathering has come a decrease in the number of roasts and turkeys sold yearly. That signals bad news for the cutlery business, according to *Chain Store Age* MarkeTrends research, because many consumers equate the importance of cutlery with carving meat and poultry.

In fact, a sampling of a group of the households interviewed about cutlery found that 82% of them see the need for a good kitchen knife for ceremonial functions rather than daily tasks. What this suggests to retailers is that cutlery should be featured around the key seasonal events of the year—Easter, Christmas, Thanksgiving and Passover.

Despite the consumer's view that cutlery is reserved for family occasions, shoppers do rate knives as one of their most important pieces of kitchen equipment. Four out of 10 rate it a "9" on a scale of "9 to 1" where "9" is highest.

If you decided to buy cutlery, which store would you be most likely to shop?

Discount	27.9%
Big 3	26.5%
Department store	19.1%
Catalog showroom	10.3%
Other	16.2%

Source: *Chain Store Age*/Leo J. Shapiro & Associates

In recent months, retailers have started knife-sharpening promotions to draw customers to the category. MarkeTrends research suggests this is a good strategy. When a sample of consumers was asked what it would take to improve the rating of the knives they owned, almost 25% responded that the blades needed sharpening.

Consumers view quality knives as those from Germany, Switzerland, Sweden, England, France and Yugoslavia. Relatively few rate Japan and the Orient as a good source, and 1 in 6 thinks the best knives are American made.

Surprisingly, more shoppers expressed an interest in individual knives vs. sets. When tracked last April, sets were more popular. This suggests consumers are trading up to better knives. By buying them one at a time, consumers can create their own sets.

Retailers are anxious to drive up sales of open stock because these items net better gross margins. Buyers would like margins in the 40% to 50% range in cutlery. ☐

Air purifiers: Still misunderstood?

Air purifiers remain one of the most misunderstood housewares products. Few customers realize the true benefits of the product, and even fewer retailers know how to properly merchandise and promote the classification.

This helps explain why the air purifier category sports such a relatively low intention-to-buy rate. In the most recent survey, only 2.2% of the households contacted expressed an interest in buying one in the next year. In April of 1985, that percentage dipped as low as 1% of those polled.

"About two years ago, the bottom dropped out of the low end of the business," explains Al Scutte, vp Bionaire Corporation. "It was like the faucet was just turned off."

What brand air purifier would you buy?

Name brand (not specific)	38.5%
General Electric	23%
Conair	15.4%
Pollenex	7.7%
Store brand	7.7%
Other	7.7%

Source: Chain Store Age/Leo J. Shapiro & Associates

Although overall business is soft, according to Scutte, the high-end segment is flourishing as a new breed of consumer emerges. This shopper wants the high technology product priced over $100. MarkeTrends supports his view: The most popular price range with consumers was the $100 to $124 group. Scutte sees the category growing more quickly as more states initiate programs to combat cigarette smoke in public spaces.

Other vendors think the retail outlets best poised to garner greater sales are catalog showrooms. In fact, since April when the category was last tracked, catalog showrooms jumped from an 8.1% share to 19%. That was even higher than the 12% of the sample which chose a department store. Discounters, however, are the preferred outlet with 40.5% of the sample thinking of a discounter when in the market for an air purifier. ☐

Where is home health care headed?

The abundance of suppliers in the home health care fray is causing a shakeout of resources. In fact, most industry experts expect to see only three or four major companies left standing at the close of 1985.

During this shakeout, retailers are taking a closer look at the classification to decide whether it is worth carrying. To date, sales of blood pressure monitors, digital thermometers and scales have not met with initial retailer projections.

Retailers have wrestled with several nagging problems. Most buyers cannot decide where to merchandise the goods or how to promote them. To make matters worse, retailers were hit with a flood of inferior goods that caused them (and consumers) to cast a leery eye at the business.

Despite the skepticism, a spot check of buyers and suppliers suggests the category still has a place on retailers' shelves.

Jerry Baker at Lumiscope says blood pressure monitors are going to be a 2.2 million to 2.3 million unit business this year, or about $100 million to $125 million at retail. That is up only slightly over last year, but still a "hefty chunk" of volume. The explosive growth, he adds, will come from digital thermometers. Now that these items are priced under $10, Baker expects the market to balloon from one million units to four million per year.

The home health care business is not for everyone. Department stores (with the exception of Bamberger's), for instance, are not suited to sell the category. "Even with advertising," claims Baker, "department stores don't seem to cut it."

Many industry sources have always figured chain drug stores were the best location for home health care. But even some drug chains have found it tough going—particularly if the goods are hidden behind the counter. The most successful outlets appear to be those willing to promote. For example, suppliers applaud the business built up by catalog showrooms, specialty stores (Lechmere takes top honors, suppliers say) and sporting goods outlets.

This suggests that discounters can tap into the business. "Sure, there are guys who are gun shy and not willing to stock up," says Glen Weinberg, manager medical products for Sharp. "But if a discounter gets behind it and promotes it . . . the products will move."

Many point to K mart as a prime example of a retailer going after the business. In order to generate greater sales out of the category, K mart has devised a new pilfer-resistant fixture. The fixture will allow K mart to trade customers up. K mart may promote the category for the first time next year.

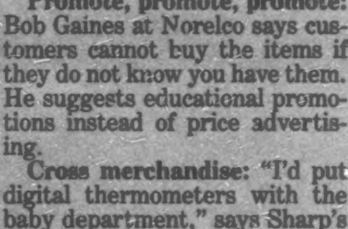
Home health care suppliers offer these suggestions for those who want to make a pitch for the home health care business:

Promote, promote, promote: Bob Gaines at Norelco says customers cannot buy the items if they do not know you have them. He suggests educational promotions instead of price advertising.

Cross merchandise: "I'd put digital thermometers with the baby department," says Sharp's Weinberg.

Select key resources: With new companies entering and exiting the business almost daily, buyers need to stick with reliable sources. They also need to learn from vendors. For example, a current debate today is whether oscillametric blood pressure monitor (with built-in microphone used to measure blood pumping through veins) is better than the standard microphone model.

Faye Brookman



Merchants are showcasing fancy and funky gift wrapping to take advantage of recent consumer fascination with packaging. Price seems of little object to this shopper.

Gift wrap goes for the glitter

Today's consumers put as much effort into selecting gift wrap as they do in choosing the actual gift the paper is purchased to cover.

That explains why retailers are creating new and splashy wrap displays. For example:

- Caldor's senior buyer Lester Schwartz plans to add posh mylar ($2.99 retail per roll) Christmas gift wrap to his mix this year;
- Carson Pirie Scott has made funky wraps a highlight of its chic new 4,500-sq.-ft. Arcadia stationery/gift department;
- And Dayton Hudson has developed a series of strong gift wrap "themes" displayed in its innovative 700 Under The Mall department.

These are strategies retailers are using in the estimated $600 million gift wrap business in order to serve the needs of a changing consumer. The move to upgraded paper has helped stem the influx of inferior, often imported products. Instead, shoppers want high quality, usually coordinated styles.

"I'd say the single greatest trend in this business has become the move to themes in wrap," says Schwartz. "The majority of our business—probably 70% or 80%—is now done in themes."

Theme wrap includes anything from Victorian looks (big for 1985, retailers say) to funky metallics and stripes. Licenses, too, are considered themes but with the exception of the good old standby Mickey Mouse, retailers plan to steer clear of licensed wrap for 1985.

Instead, the emphasis will be on wrap which reflects the thought put into the purchase. "Wrap has become another social expression of having good taste," says Sheldon Babyatsky, vp sales and marketing for the Stephen Lawrence Co., a leading supplier to department and specialty retailers.

Babyatsky explains that the better taste of today's shoppers has resulted in escalating sales of designer wraps and a new laminated wrap called the Euro-bag. B. Altman, Bloomingdale's, The May Co. and The Broadway head the list of retailers adding these styles to the expanding mix.

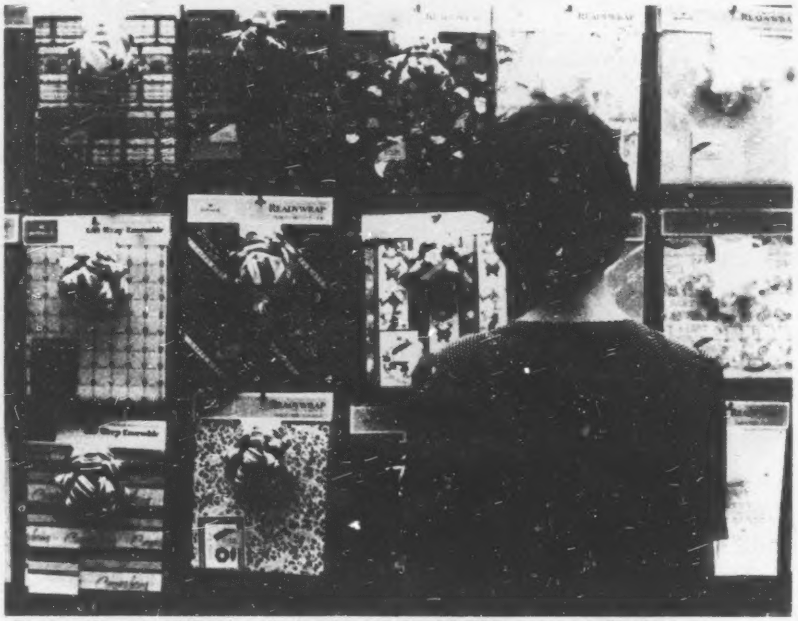
On the mass market side, Ambassador Cards has debuted its own version of wrap aimed for the new breed of shopper.

According to Karla Ross, Ambassador product manager, new formats like handle bags and gift bags are catching on.

"It's the type of product that today's busy women really look for," she says. The bags are simple to use: The customer simply puts the item in the bag and closes it.

These innovations, says Stewart Levine, vp and gmm at Carsons, have helped build wrap into a year-round business. Mixed in with Arcadia's eclectic mix of edible earrings, whimsical stationery gifts and Swatch accessories, is an abundant supply of wrap. Levine predicts that the department can hit sales of $2 million per year—that, of course, means shoppers will need a great deal of gift wrap.

Babyatsky agrees that the new departments and new products are encouraging better everyday volume. However, he adds, there is no denying that Christmas is the "serious" season. It is estimated that Christmas accounts for 50% to 60% of all wrap sold.

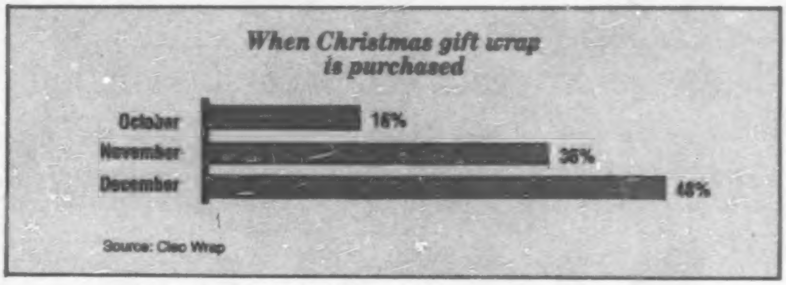


Innovations in gift wrap design have helped build year-round sales.

"Christmas is the make or break season," he says. "That is why the really good retailers break out a separate department at Christmas."

There are fewer days between Thanksgiving and Christmas in 1985, but intrepid retailers are predicting one of the best gift wrap/trim-a-tree seasons to date. They believe their hard efforts will pay off.

"Christmas this year will be our most magnificent," says Schwartz. "Customers will have a variety of themes to choose from." Wrap will make its debut in the Caldor stores right after Labor Day, he notes.



Source: Cleo Wrap

Recent research from Cleo Wrap (a division of Gibson Greeting Cards) shows that customers do indeed want a wide variety of wrap to choose from at Christmas. Seventy-five per cent of the respondents say they like to see a variety of designs, and 65% indicated coordinated items as "very important."

Will consumers cut back on wrap if the economy is sour? No way, says the study. The majority, 81%, said they would not cut back on gift giving during a recession. Naturally, a Gibson representative adds, that means they would still buy wrap.

"It is funny," adds Babyatsky, "In times of poor economy, people actually buy better paper."

The Cleo study revealed that 78% of the respondents attempt to buy enough wrap in a single purchase to accommodate their needs for the season. But in actual practice, the survey adds, 94% of consumers say they make between one and four purchases.

Says Don Ramier, Cleo's general manager marketing, "Consumers often run out of Christmas gift wrap and accessories and make additional purchases."

Schwartz at Caldor agrees. "We see steady movement throughout the entire season." The Cleo study's breakdown of sales by months: 16% in October, 36% in November, 48% in December.

This year, retailers say they plan to create the most hoopla ever in wrap. A buyer for Bloomingdale's in New York, for example, says a great portion of the flagship store's sixth floor will be devoted to trendy cards and matching wrap. Some of the sku's will be wrap and cards designed especially for Bloomingdale's.

K mart, Jamesway and Caldor sources also anticipate dynamic displays. "The whole idea," says one buyer, "is to be the first to show customers you have the selection they want."

According to the Cleo findings, that first impact is certainly important. "For retailers to maximize their opportunity, they need to be ready early in the season to capture that important initial purchase," advises Ramier. "The first and major purchasing decision will be made in an outlet that carries a wide variety of design and coordinated accessories in an attractive, orderly display." ☐

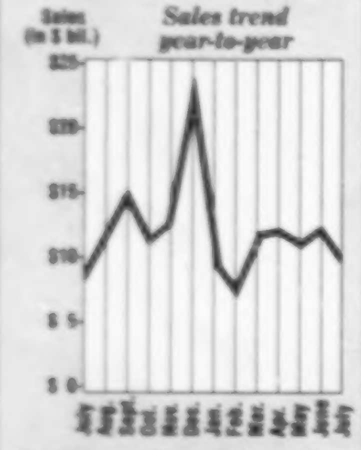
Sheaffer® Says It With
Only Sheaffer has such superb styling and craftsmanship with such a range of fine finishes.
23K Gold
ectroplate
Black
Matte
Gold
Electroplate
& Steel

Lackluster sales stir retailers' fears

July did not produce the robust gains retailers had hoped for as many chains logged their fourth consecutive month of sluggish sales.

Sales for the 26 chains tracked by *Chain Store Age* rose 7.5% over June. Volume for the first six months of the fiscal year edged ahead 7.9%.

Although the July increase exceeds the meager 5.5% posted in June, it is still far behind the 11.7% retailers enjoyed during July 1984.



Composite of sales trends showing month-to-month sales volume for the 25 retail companies tracked by *CSA*.

No sizzle in July sales

		July sales*		Stores		6-mo. sales*		
Major chains	**% change**	**1985**	**1984**	**1985**	**1984**	**1985**	**1984**	**% change**
Sears[1,8]	− 0.3	1,716,950	1,722,621	796	806	10,831,729	10,807,867	− 0.2
Penney[1]	− 0.6	803,000	808,000	1,986	2,010	5,352,000	5,325,000	+ 0.5
Ward[1,7]	− 5.3	318,405	335,292	319	323	2,044,891	2,111,496	− 3.2
Federated[5,7]	+ 8.0	492,800	456,400	469	463	3,547,300	3,334,100	+ 6.4
Dayton Hudson[7]	+ 21.2	560,290	462,397	1,168	1,116	3,677,620	3,193,884	+ 15.1
May Dept. Stores	+ 10.6	308,400	278,700	1,967	1,655	2,208,600	1,989,800	+ 11.0
R. H. Macy	+ 3.7	234,000	225,700	96	94	1,901,400	1,827,800	+ 4.0
Associated Dry Goods	+ 11.7	249,300	223,200	N/A	N/A	1,883,000	1,710,000	+ 10.1
Allied Stores	+ 6.7	234,300	219,500	627	585	1,771,000	1,714,600	+ 3.3
Carter Hawley Hale[7]	+ 12.7	249,500	221,400	283	254	1,710,500	1,542,400	+ 10.9
Mercantile	+ 11.6	121,704	109,035	79	79	807,410	723,642	+ 11.6
K mart[6]	+ 4.5	1,521,951	1,456,318	2,173	2,160	10,455,900	9,347,034	+ 11.9
Wal-Mart	+ 34.7	640,000	475,000	804	684	3,590,000	2,743,000	+ 30.8
Woolworth[8]	+ 5.3	235,600	223,800	N/A	N/A	1,643,600	1,526,700	+ 7.6
Household Merch.[2,3,7]	+ 3.1	397,475	385,489	3,572	3,701	2,629,781	2,517,785	+ 4.4
T.G. & Y.	+ 0.4	132,828	132,257	737	768	2,030,704	1,960,213	+ 3.6
Zayre[4]	+ 17.9	238,881	202,630	911	793	1,634,756	1,361,353	+ 20.1
Bradlees	+ 5.5	96,000	91,000	150	128	622,000	583,000	+ 6.7
Rose's	+ 3.4	64,852	62,730	199	191	445,310	410,802	+ 8.4
Ames	+ 104.7	104,600	51,100	565	N/A	509,700	352,100	+ 44.8
Jamesway	− 3.0	32,090	33,105	85	79	226,610	201,906	+ 12.2
Heck's	+ 15.6	37,700	32,600	127	122	230,200	214,300	+ 7.4
Melville[7]	+ 9.0	296,553	271,889	5,427	5,704	2,133,253	1,922,244	+ 11.0
Tandy	+ 12.2	216,292	192,689	N/A	N/A	1,295,657	1,224,097	+ 5.8
Edison Bros.	− 3.1	59,100	57,300	N/A	N/A	447,300	468,700	− 4.6
The Gap	+ 17.6	38,000	32,300	640	593	235,500	205,200	+ 15.2
Circuit City	+ 33.1	49,900	37,500	97	N/A	260,600	190,500	+ 36.8
Total & Averages	+ 7.5	9,317,643	8,667,695	—	—	62,097,419	57,549,310	+ 7.9

*000 omitted. N.C. = no change. N/A = not available.
[1] Store number for full-line outlets only. [2] Includes 2,651 franchise stores (vs. 2,755 a year ago). [3] Includes T.G. & Y. sales. [4] Includes 326 Zayre stores (vs. 279 a year ago), 417 Hit or Miss stores (vs. 379) and 168 T. J. Maxx stores (vs. 135). [5] Excludes supermarket sales. [6] Store count is for K mart stores only. [7] Continuing operations only. [8] Domestic operations only.

The difficult retail environment has many chains worried over the upcoming back-to-school and fall selling seasons. Research from The Conference Board substantiates the worries.

"Consumers' spirits, like the economy, appear to be subdued," says The Conference Board's director, Fabian Linden.

The Consumer Confidence Index, however, did advance one point in July over June. The Buying Plans Index fell to 88.9, from 107.6 in June.

Sears, Penney and Ward all posted a decrease in sales during July. Ward sales dropped 5.3%.

During July, Ward announced it would shutter its catalog division. Ward's results no longer include volume for the catalog division or the 18 Jefferson Ward units sold to Bradlees.

Sears' sales dropped 0.3% for the month and 0.2% for the first six months of the current fiscal year. Volume at Penney declined 0.6%.

Bentonville, Ark.-based Wal-Mart was unfazed by overall lackluster volume. Its sale increased 34.7% overall and 12% in seasoned stores.

But most retailers did not fare as well. K mart posted only a 4.5% increase, R. H. Macy's a 3.7% hike and Jamesway showed a decline of 3%.

"The retail sales environment continues to be difficult with customers reluctant to assume more debt," says Philip M. Hawley, chairman and ceo of Carter Hawley Hale.

Because sales in both June and July have been weak, most large retailers, analysts say, will show profit declines for their fiscal second quarter.

ADVERTISERS' INDEX

BCFI ... 34
Bernzomatic ... 6
Brother International ... 30-31
Clopay Corporation ... 2
Coats & Clark Inc. ... 62
Coleco Inc. ... 82
Consumer Electronics Show ... 88
Cotter & Co V&S ... 23
DIC Enterprise Inc. ... 104
Dr. Scholl ... 53
Dritz Corporation ... 40
Duracell Products Co. ... 27
Duraco Products Inc. ... 44
Eastman Kodak Co. ... 39
Gardena Watering Systems ... 25
Gund Inc. ... 75
Hallmark Ambassador ... 71
Hasbro Ind. ... 66, 79
Jason/Empire ... 15
Kenny Window Fashions ... 58
Konica Film ... 86
Lucasfilm, Limited ... 76-77
Master Lock Co. ... 97
Maxell Corp. of America ... 40
MGM/UA Entertainment ... 36-37
Minolta Corporation ... 65
MV Enterprises ... 48
National Basketball ... 103
NCR Corporation ... 8-9
Newspaper Printing ... 65
Nikon ... 16, 88
Paragon Needle Craft ... 51
Parker Pen Co. ... 92
Pressman Toy ... 78
Quasar Co. ... 42
R. Dakin & Company ... 81
Sheaffer Eaton ... 94-95
TDK Electronics/T VI ... 43
Union Carbide Corp. ... 4-5
West Bend Company ... 91
Westwood Pharmaceutical ... 11-14
3M Video Consumer ... 28

This index has been compiled for the convenience of our advertisers and readers. While every precaution is taken to prevent mistakes, the publishers cannot be held responsible for errors or omissions.